FINANCIAL TIMES

World Business Newspaper http://www.FT.com

FRIDAY MARCH 20 1998

Mastering Global Business
Around the world in 10 weeks
PART 8: the series continues TODAY in a separate tabloid section

FT Weekend tomorrow
Flavour of the month: model economies to suit every taste

Business in China
Patience not so much a virtue as a necessity
Page 18

Russian politics
Young reformers take on the new tycoons
Page 2

WORLD NEWS

Chubais launches launches a fresh 'reform attack' but defends state role

A "spring reform attack" was announced yesterday by Anatoly Chubais, Russia's first deputy prime minister, who said the government needed to bolster its finances and strengthen the state if it wanted to escape the Asian economic turmoil. Page 22; Democracy at stake, Page 2

French port closed over protest
Ferry passengers and hauliers face disruption when the French port of Calais is shut today by a protest over plans to end duty-free sales. Page 9

Italian left pushes for funds
A coalition of forces on the Italian left is pressing the government to provide fresh funds for the development of the southern economy after the country's expected entry into the European single currency. Page 3

Eta suspects arrested
Spain's interior minister said a serious blow had been dealt to Eta, the Basque terrorist group, with the detention of 11 suspects. Page 2

Turkish police jailed
A Turkish court jailed five policemen for their role in beating to death a journalist. Page 3

Mandela summoned to high court
South African President Nelson Mandela appeared in the Pretoria high court to defend the executive's actions over rugby union. Page 6

Warning on Internet security
Companies' growing use of the internet to transmit sensitive internal information poses new national security risks, John Hamre, US deputy defence secretary, warned. Page 4

Mexican budget creaks
Mexico is facing a budget crunch as the fall in world oil prices threatens the revenues on which the state depends. Page 4

WHO speaks out on TB epidemic
The World Health Organisation accused 16 countries of failing to take their tuberculosis epidemics seriously. Page 6

Talks on FTAA make progress
Trade ministers from 34 countries moved towards a consensus on how to build the Free Trade Area of the Americas. Page 6

Japan's trade surplus up 88%
Japan's politically contentious trade surplus jumped 88 per cent last month, compared with February 1997, as imports collapsed. Page 22; Budget consensus, Page 4

India swears in new government
Yaswant Sinha was named as India's new finance minister as the BJP alliance took office. Atal Behari Vajpayee took the oath with 42 ministers from the BJP and its allied regional parties. L K Advani, BJP president, was named home minister while Ramakrishna Hegde, a southern ally of the BJP, was named commerce minister. New regime in New Delhi, Page 6

Habibie 'committed to reform'
B.J. Habibie, Indonesia's new vice president, told Japanese officials his government was committed to economic reforms. Page 8

Pakistani concern over weapons
Pakistan responded robustly to the new Indian government's suggestion that New Delhi may introduce nuclear weapons. Page 8

17 killed in Afghan air crash
An Afghan airliner crashed outside Kabul, the capital, killing all 17 people on board. The Boeing 727 was on a domestic flight between Kandahar and Kabul.

BUSINESS NEWS

Alcatel shares rise on plan to sell engineering activities to GEC

Alcatel Alsthom shares surged above FFr1,000 for the first time after the French telecoms and engineering group announced plans to sell most of its engineering and systems activities to GEC Alsthom. Completion of the deal – involving businesses with annual sales of FFr25bn ($4.1bn) – is expected before June. Page 23

A dispute erupted over Crédit Lyonnais when the European Commission condemned as "illegal" the presentation of the French state-owned bank's 1997 accounts only minutes after they were published. Page 23

Stüdemann Schering, the pharmaceuticals group, became the latest German company to announce corporate governance changes aimed at bringing the country's business practices into line with international standards. Page 26

Skoda Auto, the Czech carmaker 70 per cent owned by Volkswagen, reported a sharp increase in net profits to Kc1.17bn ($34.4m) after strong export growth based on heavy investment in new capacity and product lines. Page 28

Portugal approved a bumper package of privatisations including TAP-Air Portugal, the national airline, and global offerings of cement and power utilities worth about Es532bn ($2.8bn). Page 26

Lazio of Rome is set to become the first top Italian soccer club to be listed on the stock exchange. IMI, the privatised Rome banking group, is acting as Lazio's sponsor and global coordinator. Page 26

Ericsson, the Swedish telecoms group, predicted that the world mobile phone market would grow faster than previously forecast, with the number of subscribers reaching 605m by 2002. Page 25

Siemens Nixdorf Information Systems needs to expand its business in the US if it is to be taken seriously as a global player, says president and chief executive Gerhard Schulmeyer. Page 25

Aegon, the Dutch-based insurer, last year achieved its biggest annual earnings increase as net profits jumped 40.8 per cent to Fl 2.21bn ($1.1bn). Page 26

Axa, the French-based insurance giant which last year merged with rival UAP, is considering acquisitions in Japan and South Korea. Page 26; Lex, Page 22

The Italian government unveiled details of how it wants to proceed with the break-up of Finmeccanica, the state-owned industrial and defence conglomerate. Page 26

Renault VI, the truck and bus division of the French car group, set the stage for a recovery in profits by announcing that its order book had doubled in a year. Page 26

Gucci, hit by Asia's difficulties, announced a decline in net income to $42.1m in the fourth quarter of its last financial year, from $52.5m in the preceding year. Page 26

BMW capped a bumper period for the German motor industry by announcing record 1997 profits and a higher dividend. Page 26

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 41

China to scrap housing subsidies

Incoming prime minister signals new phase of economic reforms

By James Kynge and James Harding in Beijing and John Ridding in Hong Kong

Zhu Rongji, China's new prime minister, yesterday made a bold pledge to turn his country into a nation of home-owners by abolishing state-subsidised housing.

In his first press conference since being elevated to premier this week, he signalled a new phase of activism in economic reforms.

His candid performance seemed likely to raise popular expectations of a new atmosphere of openness. He avoided platitudes and ideological dogma, and made several jokes.

The news conference in the Great Hall of the People was broadcast live on television to China's 1.2bn people. In contrast to the style of his predecessor, Li Peng, who would answer only a limited number of vetted questions at the annual event to mark the end of the National People's Congress, Mr Zhu reminded journalists that they could ask him "anything".

Some questions touched on subjects which remain taboo in China's media and official life, such as whether there should be a re-evaluation of the military crackdown on the 1989 political protests in Beijing. Officially, the protests are held to be "counter-revolutionary rebellion".

Mr Zhu answered that authorities had acted "resolutely" to restore stability and that the Communist party was united in its view of those events.

However, he used the relatively mild words "political disturbance" to describe the protests. Later, he said he was in favour of democracy, but added that the concept meant different things in China and in the West.

The premier, who had a new cabinet of technocrats approved on Wednesday, said a new policy on housing would be implemented in the second half of this year.

It could lead to a leap in home ownership among China's 340m urban residents, a significant number of whom still live in the compounds of state enterprises and organisations, analysts said.

Though there are no details yet, analysts said bank mortgage lending was likely to be increased to allow low-paid state employees to buy their homes. Bankers said mortgage lending, which is regarded as relatively safe, might also help improve the asset quality of China's banks, strengthening a technically insolvent state banking system.

A first step for this, however, is expected to be the "monetising" of properties. This is likely to involve the raising of rent to reflect market levels at the same time that salaries of state employees are increased. Such a strategy would help answer banks' reservations about granting mortgages to poorly paid state workers, bankers said.

Zhu Rongji, China's new prime minister, answers questions at a news briefing in Beijing yesterday. Picture: Reuters

Stock prices in Hong Kong rose on Mr Zhu's reform plans and on the news that he was expressing strong support for the territory's exchange rate mechanism.

The "red chip" index, which measures the performance of shares of Hong Kong subsidiaries of mainland enterprises, rose by 5.9 per cent.

"The central government would spare no expense to maintain the prosperity and stability of Hong Kong and to maintain the link between the Hong Kong dollar and the US dollar," Mr Zhu said. If necessary, he added, and only in the case of a request from the territory, China would be willing to commit its US$140bn reserves to defence of the Hong Kong currency.

China's iron man, Page 8
Editorial Comment, Page 21

Chase widens its search for merger partner

Largest US commercial bank plans to acquire investment business

By Tracy Corrigan and William Lewis in New York

Chase Manhattan Bank, America's largest commercial bank, has approached at least four potential merger partners in its effort to build a bulge bracket investment banking business.

The Financial Times has learned that in recent months Chase has held informal talks with Credit Suisse, the Swiss bank which owns CSFB, the investment bank, JP Morgan, and Goldman Sachs, two leading US investment banks. It has also approached Merrill Lynch – talks which have been widely rumoured in the market, prompting a surge in Merrill's share price earlier this week.

In an interview yesterday, Thomas Labrecque, Chase's president, said the bank is still considering "all the options" but declined to comment on whether the bank had held merger talks.

But sources close to the discussions say Chase appears to have abandoned its plans to build an investment banking business organically and is instead concentrating on buying.

"They have realised that they won't be able to build an entire investment banking business from the syndicated loans business," said a senior executive at one of the banks approached.

Mr Labrecque said that Chase had already made "tremendous strides" in most of the main investment banking product areas, with the exception of equities. "We know we need [equities research and underwriting]," he said. "We are looking at how we can build, what we can build and what we can buy."

Mr Labrecque added that although the bank is looking at potential acquisitions "the market is at an all-time high. We want to do something that would be good for our shareholders."

Senior Wall Street investment banking executives say that Merrill Lynch has been approached at least twice by senior executives at Chase, the last time in January. No deal appears imminent with any of the banks informally approached.

"Walter Shipley [Chase chief executive officer] told us he is keen to do something before he retires and that he is keener to buy than build," said another executive at one of the four banks approached.

Mr Shipley is due to retire within three years and is thought to be using the issue of his succession as a carrot to lure top executives at merger targets.

Mr Labrecque said the bank had 2-3 years to establish a position in equities and is under no pressure to make an acquisition soon. "We are certainly in the mode of feeling we have time," he said.

Investors say that the mergers of Morgan Stanley with Dean Witter and Salomon Brothers with Smith Barney have intensified the battle to join the handful of wholesale financial services businesses which can claim to span all the major markets and product areas.

"We are witnessing the end-game in this sector of global wholesale financial services," said one analyst.

This week Chase announced 4,500 job losses. Some analysts said the move could be streamlining ahead of an acquisition.

Chase could also buy a smaller business such as Donaldson, Lufkin & Jenrette, the US investment bank.

In morning trading yesterday Chase shares fell $2⅛ to $135⅞.

Lex, Page 22
Chase in fruitless quest, Page 27

Kosovo concessions may avert sanctions

By Guy Dinmore in Belgrade

Slobodan Milosevic, president of Yugoslavia, may have made enough concessions over the conflict in Serbia's Kosovo province to avert further sanctions by the west, the French and German foreign ministers indicated yesterday.

They said substantial progress had been made in discussions in Belgrade aimed at ending police attacks on ethnic Albanians in Kosovo.

"The demands we made have, generally speaking, been met," Klaus Kinkel, the German foreign minister, said after talks with the federal Yugoslav president and with Milan Milutinovic, the Serbian president.

Mr Kinkel and Hubert Védrine, the French foreign minister, said Mr Milutinovic had told them that most special police forces had been withdrawn to barracks. Mr Milutinovic also offered to hold unconditional talks with the Albanian leadership on self-rule for Kosovo. Asked if this was enough to lift the threat of sanctions, Mr Kinkel replied: "I don't want to be positive or negative. Things are not so easy for President Milosevic as everyone believes."

Mr Kinkel and Mr Védrine had been making a last-ditch effort to persuade Mr Milosevic to meet the demands of the six-nation Contact Group – comprising the US, Russia, Britain, France, Germany and Italy. The group had threatened to freeze Yugoslav and Serbian government funds abroad if the Yugoslav president did not meet its demands by yesterday.

Fearing a wider regional conflict, the Contact Group demanded on March 9 that Belgrade withdraw its special police forces from Kosovo, open a meaningful dialogue with the ethnic Albanian leadership and give full access to aid organisations.

Statements by Italy and Russia yesterday suggested that they would oppose taking the hardest line against Belgrade.

Robert Gelbard, the senior US envoy to the Balkans, warned in Pristina yesterday that "serious and biting sanctions" were looming. Some diplomats remained sceptical about apparent concessions made by Mr Milosevic and said they would keep a close watch on police movements in Kosovo.

At least 80 people have been killed during Serbia's police offensive against ethnic Albanian villages sheltering rebels of the separatist Kosovo Liberation Army. An estimated 20,000 Albanians have fled their homes.

Ibrahim Rugova, the pro-independence leader of the main ethnic Albanian party in Kosovo, is refusing to hold talks with Belgrade without third-party mediation. Mr Kinkel said Mr Milosevic was still rejecting outside intervention but would be willing to meet a special European Union envoy.

WORLD MARKETS

STOCK MARKET INDICES		
New York: Lunchtime		
Dow Jones Ind Av	8,762.69	(−12.71)
NASDAQ Composite	1,795.50	(+7.22)
Europe and Far East		
CAC40	3,688.68	(+38.16)
DAX	4,938.32	(+16.60)
FTSE 100	5,997.9	(+94.3)
Nikkei	16,679.02	(+69.34)
US LUNCHTIME RATES		
Federal Funds	5.37%	
3-mth Treas Bills: Yld	5.175%	
Long Bond	102⅞	
Yield	5.931%	
OTHER RATES		
UK: 3-mo Interbank	7¼%	(7½%)
UK: 10 yr Gilt	109.3125	(109.272)
France: 10 yr OAT	104.40	(104.44)
Germany: 10 yr Bund	106.07	(106.03)
Japan: 10 yr JGB	109.95	(109.94)
NORTH SEA OIL (Argus)		
Brent Dated	$12.65	(12.27)

GOLD		
New York: Comex		
(Mar)	$291.8	(291.0)
London		
	$291.55	(290.55)
EXCHANGE RATES		
Dollar		
New York: Lunchtime		
£	1.6675	
DM	1.829	
FFr	6.133	
SFr	1.494	
Y	130.65	
London:		
£	1.6675	(1.6715)
DM	1.8273	(1.826)
FFr	6.1265	(6.1205)
SFr	1.492	(1.4889)
Y	130.38	(130.225)
Tokyo Close		Y 129.936
Sterling		
DM	3.0470	(3.0521)

London · Leeds · Paris · Frankfurt · Stockholm · Milan · Madrid · New York
Los Angeles · Tokyo · Hong Kong

CONTENTS

Full contents and Lex: back page

WORLD NEWS

EUROPE

Göran Persson: 'This is not only about coins and bills but a new type of co-operation inside the EU'

Swedes remain cautious over Emu

By Tim Burt and Greg McIvor in Stockholm

Göran Persson, Sweden's Social Democrat prime minister, said yesterday that a public perception that European economic and monetary union could lead to political unification was the main stumbling block to the country joining the single currency.

In an interview with the Financial Times, Mr Persson said it was "easy to see" the economic benefits of Emu membership. His government would do everything it could to ensure the introduction of the euro was a success.

But Mr Persson, who faces a general election in September, suggested it would be difficult to win support for Emu in a referendum if most Swedes believed the single currency would involve a shift in political power to Brussels.

Opinion polls suggest that there is widespread public hostility to participation by Sweden in monetary union.

"This is not only about coins and bills, but about a new type of co-operation inside the European Union," Mr Persson said.

Difficult to win support for Emu if Swedes believe single currency involves shift in political power to Brussels

"A common monetary policy will stimulate a common economic policy and that could have a large impact on the European Union."

In spite of his cautious stance on Emu, he emphasised the government would not stand in the way of companies which wished to adopt the euro.

"We will try to give big companies the best access possible to the new currency," he said, hinting that the government would present legislation allowing companies to account and list their shares in euros.

Mr Persson, who has adopted a wait-and-see attitude to Emu, said the government would outline its approach to the single currency in a six-point programme in the budget bill next month.

Describing the programme as the government's vision for the future of Sweden beyond 2000, Mr Persson said EU enlargement in the Baltic region was a top national priority.

Setting the scene for the election campaign, Mr Persson said the budget would include new proposals on information technology, education, environment, immigration, and measures to help new businesses.

He predicted that Sweden's extensive welfare system would be the key election battleground.

The minority SDP administration, he declared, had successfully refurbished the state finances, reducing the budget deficit from double figures when it took power in 1994 to an expected balance this year. "Now we can afford a better public sector," he said, emphasising that any increased expenditure would not affect budget ceilings.

Although Mr Persson hinted he supported reducing taxes, particularly for small businesses, he said tax cuts were not an immediate priority.

He said heavy investment in retraining schemes was helping efforts to reduce unemployment.

The SDP is nevertheless vulnerable to attacks from the opposition over unemployment. Despite promises by Mr Persson to cut joblessness, the figure has declined by only 2.2 percentage points from its 1994 level of 13.4 per cent.

States of dependency, Page 20

Arrests a serious blow to Eta, says minister

By Tom Burns in Madrid

Spain's interior minister, Jaime Mayor Oreja, said yesterday that a serious blow had been dealt to Eta, with the detention of 11 suspects accused of running the terrorist organisation in Alava, one of the three Basque provinces.

Officials now believe Eta has been reduced to a single active unit, operating in the province of Guipuzcoa, after a string of arrests last year that rounded up wanted separatists in the third province, Vizcaya.

The capture of the so-called Alava Commando has occurred at a psychologically important moment for the Madrid government, because talks broke down earlier this week over a peace plan drawn up by the non-extremist Basque Nationalist party, which controls the local regional government.

Proposals by José Antonio Ardanza, the Basque president, for a dialogue with Herri Batasuna, Eta's political wing, after a ceasefire of unspecified duration by Eta, were rejected by the two main Spanish parties – the ruling Popular party and the Socialists.

Both Madrid-based parties view a negotiated end to Eta violence in the present circumstances as a "political fiction" and are seeking increased security operations against the separatists.

They said any peace initiatives should take place after Basque regional elections, which are scheduled for October and in which they expect the Herri Batasuna vote to slump.

The suspects were arrested in a series of dawn raids by the Guardia Civil corps, which is under the direct control of the interior ministry.

Weapons and explosives were captured in the Guardia Civil swoops, and officials said more arrests were expected.

Over the past 30 years, Eta has been responsible for causing more than 800 deaths.

The last successful police operation against the organisation in the province of Alava took place in 1995.

Rock proves a hard place to work into the EU

By Emma Tucker in Brussels

For over 200 years, Gibraltar, the British colony on the Spanish coast, has been a source of tension between the two countries. Today, the historic rivalry has an unfortunate side-effect.

The Rock, home to 31,000 people, has become a consistent obstacle to efforts by the 15 European Union countries to forge common policies on issues such as asylum, crime, immigration and judicial co-operation.

At a meeting in Brussels of EU justice and home affairs ministers yesterday, Gibraltar could be identified as one, if not the only, obstacle to an agreement for no fewer than four important items on the agenda.

"Gibraltar is the unwelcome guest at the party," said an EU diplomat.

The Rock's disruptive influence relates mainly to Spanish jumpiness over its autonomy.

Many EU-wide initiatives in justice and interior matters involve the designation of central authorities in member-states to act as contact points for the other 14 governments.

Spain refuses to recognise any local Gibraltar authorities and insists on dealing directly with London. The British assure the Spanish that Gibraltar would never be allowed to nominate its own authority, but Spain remains suspicious.

Yesterday, no agreement was reached on a straightforward joint action setting up a European network of judicial contact points that would enable countries to co-ordinate procedures in the fight against serious crime.

A similar problem was among those dogging a convention designed to ensure that a driving disqualification enforced in one member-state can be enforced in another. Spain wanted to be certain that application of the agreement would not require direct dealings with Gibraltar.

Another headache is that many initiatives, particularly those related to asylum and immigration, require a definition of the EU's external frontier. Spain considers Gibraltar outside the external border; the UK does not.

A convention seeking to establish one external frontier for the EU – on the table since 1991 – has still not been agreed. This in turn affects virtually all other proposed policies, even training programmes, referring to an external frontier.

The Rock will remain a British dependency at least for the foreseeable future and most decision-making in justice and home affairs will continue to require unanimous agreement. So other solutions have to be found.

Yesterday, the British offered a written declaration to the Spanish that they would only nominate contact points in the UK for the joint action on judicial co-operation. But this was not enough. Spain wanted the commitment written into the text.

Diplomats may try to play it down – not one mention of Gibraltar was made in an official briefing ahead of yesterday's meeting – but the Rock will for the time being continue to test the ingenuity of ministers seeking to improve co-operation.

Democracy at stake in battle of reformers and magnates

Russia's "bankers' war" threatens to discredit the reform movement, report **Chrystia Freeland** and **John Thornhill**

Revolutions, the French observed two centuries ago, have a habit of devouring their children. Over the past two weeks, Russia's most powerful politicians and businessmen have striven mightily to live up to that tradition.

Boris Nemtsov and Anatoly Chubais, the cabinet's top reformers, have declared war on Russia's financial magnates, accusing them of ordering contract killings in the past and of seeking to dictate to the government now. The magnates have struck back, belittling Mr Chubais as a hired hand and a "Bolshevik", and broadcasting lurid tales of Mr Nemtsov's supposed sexual adventures on the television channels they control.

Less than a year ago, the warring parties were on the same side. It was Mr Chubais's ambitious privatisation programme, including various sweetheart deals for Kremlin insiders, which created the tycoons. The bankers returned the favour in 1996, rescuing him from political Siberia and making him head of Boris Yeltsin's presidential campaign. Now, the architects of Russia's capitalist revolution and its biggest beneficiaries are locked in a conflict which threatens to destabilise and discredit the reforms.

At heart, the latest round in what Russians call the "bankers' war" is a battle over the character of post-communist Russia. Mr Chubais and Mr Nemtsov contend that a small group of powerful business "oligarchs" is seeking to dominate the government and economy. In an article entitled Russia's Future: Oligarchy or Democracy? published this week, Mr Nemtsov wrote: "Everyone understands that there can be no return to socialism. We are moving to the market. But what sort? The US, Sweden, Pakistan and Indonesia all have markets, but their social-economic structure is diverse. Which path will Russia take – democratic, people's capitalism or oligarchical capitalism?"

The young reformers' battle cry is hard to fault. Since the shares-for-loans privatisations in 1995-96, in which some of Russia's most prized companies were sold off at bargain-basement prices, the cosy links between the Kremlin and business have been one of the obstacles to the development of a vibrant, liberal capitalism.

But it is less certain whether the two first deputy prime ministers have the political muscle to make their campaign more than a rhetorical battle.

Mr Chubais, more than anyone, must bear the credit or blame for creating the "oligarchs" he today seeks to weaken. If the financiers are monsters, then Mr Chubais is their Frankenstein, a history which makes him ill-suited to tame them now.

His adversaries have not been shy in pointing out this contradiction. As Boris Berezovsky, who has led the attack against the young reformers, recently put it: "You can't play by one set of rules today and then announce that as of 4am tomorrow you are introducing a different set."

More neutral observers agree. "The problem is that now they [the oligarchs] say to the government, 'You created us, you took money from us, and now you are saying that you have become new leaders and we are just insects who must change our ways'," Grigory Yavlinsky, leader of Yabloko, the liberal opposition party, said in a recent interview. "Russia needs fair rules, but Mr Chubais can't do this, he played by different rules for seven years."

Mr Nemtsov, who weighed in with particular gusto this week, calling for the creation of an anti-oligarch political movement, does not share this liability. Summoned to Moscow from his post as a provincial governor just a year ago, he was not one of the architects of the distorted capitalism he now seeks to reform.

But both Mr Chubais and Mr Nemtsov are plagued by a far greater weakness, one which makes it unlikely the bankers' war will come to a swift or happy conclusion. Unless they violate their own outspoken pledge, and team up with one group of magnates against another, the two ministers are doomed to be preachers without a congregation, politicians without a strong power base or constituency.

"I have no clans, magnates or groups behind me. On what can I build support?" Mr Nemtsov asked this week.

Answering his own question, he argued that he would rely on "public support". Potentially, the public is indeed a valuable ally. Small businesses, which lack the oligarchs' sway in Moscow, and millions of ordinary Russians whose pocket-books have been directly hit by insider deals, have a strong interest in creating a more liberal, democratic capitalism.

But while their grievances are real, they have little means of expressing them. Systematically destroyed by 70 years of communism, civil society has been neglected by seven years of democratic reforms. Trade unions are disorganised, political parties are weak, and the media are in the hands of the financial clans.

As the young reformers struggle on, they may find that their biggest mistake was not to create the oligarchs but to neglect the development of a civil society able to restrain them.

Chubais urges 'spring reform attack'

Anatoly Chubais, Russia's first deputy prime minister, yesterday announced a "spring reform attack", saying that the government needed to bolster its finances and strengthen the state if it wanted to escape the Asian economic turmoil, **John Thornhill reports from Moscow.** "The only way to protect Russia from the world financial turbulence is to be more strong, more tough, more aggressive on the reform-oriented policy conducted by the Russian government," he said.

He said the government had a good chance of implementing a realistic budget this year, helping to eliminate the scourge of non-payments in the economy.

It would also speed up privatisation and protect property rights for Russian and foreign investors.

Ukraine currency concerns recede further

By Charles Clover in Kiev

The threat of a Ukrainian currency crisis appeared to recede further yesterday as foreign investors returned to the Treasury bill market despite concern over the International Monetary Fund's suspension of a one-year standby loan.

Foreigners sold $30m on the Ukrainian currency exchange in order to buy hryvnia-denominated T-bills. Some $12m was supplied on Wednesday and $1.5m on Tuesday.

The inflow of dollars over the last three days is greater than the amount of dollars that have come into the T-bill market in January and February combined, according to Alexander Bazarov, head of Credit Suisse First Boston investment bank in Kiev.

The hryvnia, which has depreciated by 6 per cent since the beginning of January, has strengthened slightly since the beginning of the week in response to the demand.

On Wednesday, meanwhile, the central bank lowered interest rates for the first time since raising them sharply in November to defend the hryvnia during the Asian crisis.

The Lombard rate fell from 48 per cent to 45 per cent, and the refinancing rate from 44 to 41 per cent.

Bankers said that the return to T-bills had actually started one month ago, but that the buying had taken place in the offshore secondary market, where interest rates were around 55 per cent compared with 45-48 per cent in the primary market.

As a result of the buying, though, the spread between the primary and secondary market was narrowed to zero last week, prompting investors to come back to the primary market in Ukraine this week.

Bankers are still unsure whether the return to the T-bill market is sustainable. They say the decision of the IMF to suspend a 12-month $585m standby loan to Ukraine is sure to affect confidence in the country.

In January and February, because of the lack of investor interest in the T-bill market during the Asian crisis, Ukraine's central bank had to purchase over 800m hryvnia worth of T-bills which were being redeemed.

As a result, it had to sell over $450m in reserves to defend the hryvnia.

It was partly as a result of these reserve sales that it was unable to fulfil the IMF conditions.

Solidarity trade unionists from the Ursus factory burn EU flags in Warsaw yesterday during demonstrations demanding government action to protect jobs from foreign competition Picture AP

Polish workers demand action to protect jobs

By Christopher Bobinski in Warsaw

Several thousand workers from Poland's ailing Ursus tractor factory yesterday demonstrated in Warsaw to demand the resignation of Leszek Balcerowicz, finance minister.

The demonstrators, led by Zygmunt Wrzodak, the populist leader of the Solidarity union at Ursus, also want the Solidarity-led coalition government to release additional funds for farmers and raise tariffs on imported tractors to increase sales at the Ursus plant, which employs more than 12,000 people.

The Ursus protesters have given the government – a coalition of the Solidarity-led Solidarity Electoral Action (AWS) rightwing alliance and Mr Balcerowicz's pro-business Freedom Union (UW) – two weeks to react to their financial demands.

Mr Wrzodak is threatening to stage more demonstrations to campaign for a reduction of the role of the UW in government.

Yesterday the powerful Silesian branch of Solidarity, which is concerned at the prospect of jobs cuts in the loss-making coal industry, backed the Ursus protest.

Ursus has a history of militancy, starting in 1976 when the plant's workers protested against food price rises brought in by the communist government.

Speaking outside the finance ministry over the noise of exploding firecrackers thrown by the demonstrators, Mr Wrzodak charged that the European Commission in Brussels wanted "to wipe out 80 per cent of our agriculture".

Mr Wrzodak added: "Mr Balcerowicz, once served Moscow [referring to the finance minister's former membership of the Communist party] and now he serves Brussels."

The demonstrators later marched to parliament, which was debating the issue of EU membership prior to talks between Poland and the Union which are due to begin on March 31.

Ryszard Czarnecki, head of the government's European Affairs committee, said that Poland would be demanding full access to the benefits of the EU's reformed farm support policies once it joined the Union.

Mr Czarnecki said Poland would want "appropriately high" production quotas for farm products and would want to preserve after membership a ban on land sales to non-Polish EU citizens.

FINANCIAL TIMES

Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address

GERMANY:

Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

FRANCE:

Publishing Director: P. Maravigna, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.

SWEDEN:

Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06. Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.

R

Prodi under new pressure to aid south

By James Blitz in Rome

A broad coalition of forces on the Italian left is pressing the government to provide fresh funds for the development of the southern economy after the country enters the European single currency.

Romano Prodi, the prime minister, also faces calls to increase public spending to reduce unemployment in the south.

The pressure from the left comes after attacks on the government earlier this week over its plans to introduce a 35-hour working week. Confindustria, the employers' federation, threatened to break long-standing accords on collective wage bargaining if the legislation went ahead.

Mr Prodi has had to press ahead with that legislation because of a commitment he made to the small group of Reconstructed Communists as part of a deal that kept him in power last autumn.

The wave of concern over the south reflects a different set of political pressures. Trade unionists and politicians within the ruling coalition believe the tight fiscal control of recent years must end.

Union leaders have threatened a general strike and there have been street demonstrations. On Tuesday, some 6,000 people demonstrated in Palermo in favour of new "socially useful" public works projects. A dozen people were injured in clashes at a similar rally in Naples.

Pressure has also come from Antonio Bassolino, the powerful mayor of Naples and a government supporter. He warned this week that Mr Prodi had not understood that "the jobs issue is the very essence of a centre-left coalition".

La Stampa newspaper reported that Massimo D'Alema, the leader of the Party of the Democratic Left (PDS), the main government party, was "disappointed" by Mr Prodi's policy on the south. He had privately warned that the government was not "up to it".

Mr Prodi and Mr D'Alema are due to hold a meeting in Rome today at which their differences over funding for the south are likely to be aired.

Mr Prodi is not bound by a specific commitment on the issue of funding for the south. Carlo Azeglio Ciampi, the treasury minister, is determined not to make spending commitments that would concern Italy's European Union partners ahead of its entry into the single European currency.

But Mr Ciampi still held a surprise meeting with trade union leaders on Wednesday at which he spelled out measures he is taking to develop the southern economy.

Former spy chief shapes up to take on four-corner fight for Germany's PDS

His policies could be those of his prospective opponents, in a campaign having less to do with issues than with questions of style, reports **Frederick Stüdemann**

Elmar Schmähling is probably not the first western spy to visit the headquarters of the Party of Democratic Socialism in east Berlin.

But the retired admiral and former head of West Germany's military intelligence service is certainly the first to receive an enthusiastic public welcome from the successor to East Germany's Communist party.

The reason is the PDS leadership's nomination of Mr Schmähling as the party's candidate for the key Mitte-Prenzlauer Berg constituency in the general election in September.

The choice of a controversial candidate – in addition to his western military background, Mr Schmähling is under investigation in connection with the failure of two companies he ran – is an established tactic for the PDS.

Since the collapse of communism, it has sought to remodel itself as a lively, hard-left party which uses humour and stunts to reach out beyond its regional base in the east. High-profile candidates, especially those from the west who, like Mr Schmähling, may not even be members, are a way of getting more national coverage.

Mitte-Prenzlauer Berg, in eastern Berlin, is probably the best known constituency in Germany. It encompasses the future official face of the country's capital through its government buildings and showcase monuments such as the Brandenburg Gate, as well as a slice of the city's laid-back Bohemian scene.

Also, Prenzlauer Berg has additional resonance as the one-time home to many civil rights activists who helped topple East Germany's communist regime.

The choice of Mr Schmähling is more than symbolic. Mitte-Prenzlauer Berg could play a significant role in the general election because of the finer points of German electoral law. These say a party must either secure 5 per cent of the vote or win three direct constituency mandates, for it to have representation in parliament.

With nearly all its support coming from eastern Germany, the PDS failed to win 5 per cent of the national vote in the 1994 general election but reached the Bundestag because of its four direct mandates in east Berlin, including Mitte-Prenzlauer Berg itself. This enabled it to sidestep the 5 per cent hurdle, boosting its representation in parliament to 30.

Whether the PDS makes it into parliament this time could be a decisive factor in determining who wins the general election. If the party fails, its votes are lost and those of the other parties amplified when it comes to distribution of seats.

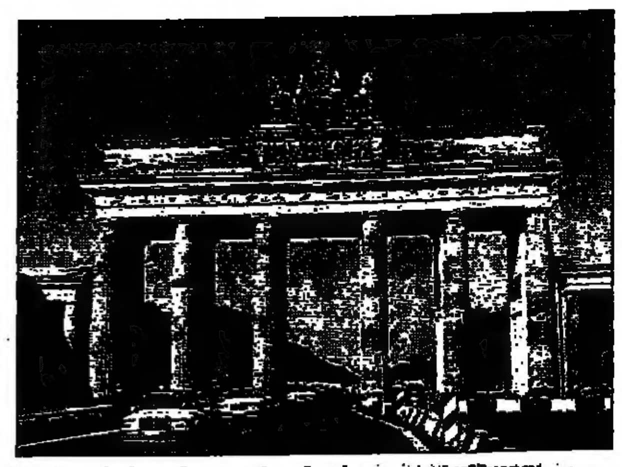
If the PDS squeezes in, it could deprive, say, the SPD and the Greens of enough seats for a coalition to unseat Chancellor Helmut Kohl. As such, Mitte-Prenzlauer Berg is a key battleground for the main parties which, as in the last election, are all running with high-profile candidates.

The result is a neat snapshot of how the political terrain in east Berlin has changed since unification. Former allies are now pitted against one another.

If his nomination is confirmed, Mr Schmähling will find himself standing against three of east Germany's best-known politicians: Wolfgang Thierse, a leading Social Democrat; Güter Nooke, a former civil rights activist who is now a member of Mr Kohl's Christian Democratic Union; and Marianne Birthler, another former dissident, of the Greens.

While his opponents have roots in the constituency, Mr Schmähling admits he has "a lot of catching up to do".

"I have to get to know the people," he says. He believes the constituency highlights the social tensions left by unification. "At one end, you see billions invested in business and government property. Elsewhere, the social fabric is stretched, due to spending cuts, and unemployment is high."


The Brandenburg Gate: centre of a showcase constituency

But perhaps the most significant feature of the constituency is the dramatic demographic change it has undergone in recent years. The lively bars and restaurants of Mitte and the leafy streets and squares of Prenzlauer Berg have attracted many newcomers, especially from the west.

In some parts of the two boroughs, over half the population has arrived only in the past five years.

Mr Nooke believes these changes will mean increased votes for the CDU. "A lot of local people have built up new things in their lives, such as their own businesses, and they are typical CDU voters," he says.

But according to Rainer Oschmann, editor of Neues Deutschland, a paper formerly owned by the Communist party and now close to the PDS, Mr Schmähling has certain advantages over his opponents.

"A lot of people, especially older ones, are concerned about law and order; as a former military man, he can appeal to those who miss the security of the old days."

Perhaps in recognition of this, Mr Schmähling says that law and order, along with civil rights, more social justice and limiting German foreign policy ambitions will figure high in his campaign.

The fact these policies could just as easily be those of any of his opponents seems irrelevant in a campaign less about issues than about style.

NEWS DIGEST

RUSSIAN SALARIES

Yeltsin faces setback in campaign to pay arrears

Wage arrears to Russian government employees grew rapidly in February, suggesting that the Kremlin's high-profile battle last year against unpaid salaries had only a short-term impact.

According to official statistics, wage arrears rose by 21 per cent last month, climbing to Rbs7.636bn ($1.27bn) on March 1, from Rbs6.318bn at the beginning of February. The biggest wage delays were faced by doctors and teachers.

The figures are likely to disappoint President Boris Yeltsin, who made paying off overdue wages and pensions one of his political priorities last year. By dint of secretive, last-minute loans, the government managed to fulfil that promise.

The new wave of arrears suggests that systemic problems remain. In the aftermath of the Asian crisis, the government has faced higher borrowing costs and lower revenues. Rather than risk sacrificing hard-won financial stabilisation, it has responded by slashing spending. **Chrystia Freeland, Moscow**

GERMAN ECONOMY

Business expectations mixed

Although German exports continue to grow strongly and inflationary pressures are unexpectedly muted, business expectations are mixed, according to a trio of economic indicators published yesterday.

The visible trade surplus for January increased to DM6.3bn ($3.5bn) from DM4.5bn in the same month last year, the federal statistics office reported. That reflected 15.1 per cent year-on-year growth in exports to DM74bn, compared with a 13.2 per cent increase in imports to DM67.7bn.

The Bundesbank announced a slowdown in the growth of M3, its measure of broad money supply, to an annualised, seasonally adjusted rate of 2.8 per cent in February compared with its average in the fourth quarter of last year. The increase, which compared with a 3.1 per cent rise in January, was below both market forecasts and the central bank's target for M3 growth this year of between 3 and 6 per cent.

The Munich-based Ifo economic research institute's western German business climate indicator fell against expectations for the second consecutive month. It declined from 99.3 in January to a seasonally adjusted 98.7 in February, the lowest level since July last year.

The index for eastern Germany rose sharply, however, from 104.4 in January to 106.2 last month, its highest level since January 1997. **Peter Norman, Bonn**

TURKISH HUMAN RIGHTS

Police jailed over killing

A Turkish court yesterday jailed five policemen for manslaughter for their role in the beating to death of a journalist, in a high-profile trial seen as a test of Turkey's sincerity in improving its human rights record.

"It has been established that the defendants . . . committed this crime," the judge, Mustafa Birisik, told the court in the central town of Afyon. He jailed the policemen for 7½ years each.

Concern about Turkey's human rights record was among the reasons cited by the European Union last December for putting off Turkey's long-standing application to join it. **Reuters, Ankara**

ARMENIAN ELECTIONS

OSCE warning on 'flaws'

The Armenian prime minister and the former Communist party leader qualified yesterday for the run-off stage of the presidential election after a first round of voting which international observers described as deeply flawed.

The observers warned that they would only give the elections a "clean bill of health" if the second round contest on March 30 between Robert Kocharyan, the prime minister, and Karen Demirchyan, the former communist leader, was run significantly better than the first round of voting on Monday.

The Organisation of Security and Co-operation in Europe said that its 200-strong team observed ballot box stuffing and intimidation during the first round.

However, the OSCE said, the margin between the top two candidates and the third was so large that the irregularities did not affect the ultimate result. Mr Kocharyan polled 39.14 per cent and Mr Demirchyan 31.16 per cent – about 20 percentage points more than the third-placed candidate. **Selina Williams, Yerevan**

TRADE FIGURES IMPORTS FLOOD IN AND EXPORTS FADE AS EFFECTS OF FAR EAST TURMOIL HIT TRADE STATISTICS

Asian crisis boosts US deficit

By Nancy Dunne in Washington

The fallout from the Asian crisis affected the US trade picture during January, as imports flooded in and exports fell from the previous month's level, according to figures released by the Commerce Department yesterday.

The goods deficit rose by $1.1bn to $18.8bn, a record high.

The goods and services trade deficit climbed to $12bn, $1.1bn more than in December. Exports of goods and services fell by $2.1bn to $77.3bn while imports dropped by 0.9bn to $89.3bn.

Typically, the brightest spot in the trade deficit was a $6.9bn services trade surplus.

January exports remained stable at $31bn, unchanged from December while imports rose by $100m to $14.2bn. The surplus would probably have been higher but for lost tourist trade from Asia.

Good economic news is usually announced by the White House. Yesterday it was left to William Daley, the commerce secretary, to put the best political spin on the numbers.

He did so by emphasising the continued low level of inflation as reported in the consumer price index yesterday by the Labour Department.

Although retail prices rose by only 0.1 per cent, the so-called "core rate" – which excludes the volatile food and energy sectors – rose by 0.3 per cent, the largest gain in 10 months.

"Our economy has not performed this well since before the first oil shock in 1973," Mr Daley said. "And there is no sign of trouble....Our trade situation has improved with most areas of the world, although the Asian currency crisis continues to present challenges."

Surprisingly, the deficit with Japan fell from $5.1bn to $4.3bn during January. However, the monthly deficit with China rose from $3.9bn to $4.2bn. Also, the deficit with South Korea rose sharply from $341m to $856m, contributing significantly to an overall steep increase in the US deficit with all newly industrialised countries – Hong Kong, Korea, Singapore and Taiwan – which rose from $841m to $2.2bn.

"The goods deficit would have been worse except for a sharp decline in autos and a big drop in the price of oil," said Charles MacMillion of Washington-based MBG Economics.

"This suggests the merchandise trade deficit this year seems sure to soar past $250bn. This doesn't mean recession, though, as long as the crazy stock market keeps going up."

Clyde Prestowitz of the Economic Strategy Institute said it could be a year before the full impact of the Asia crisis is felt, and employment falls, he said.

"Everybody except for the US and the UK is running an export-led strategy," he said.

"We're the only buyers...we're buying to save the world."

Budget consensus in US starts to crack

Expectation of first surplus in a generation is helping to end cosy agreement between Democrats and Republicans

By Gerard Baker in Washington

The bipartisan consensus that has been the key to several years of budget agreements between President Bill Clinton and the Republican-controlled Congress appears to be cracking, as lawmakers begin detailed consideration of the 1999 fiscal plans.

The expectation of the first budget surplus in a generation is forcing the White House and Congress further apart this year as they pursue different political objectives.

"In the past, the pressure has been on to get us into a position where we can eliminate deficits. Now we're talking about how to deal with the prospect of surpluses," an official at the House of Representatives budget committee said.

Last month, the president presented budget proposals that envisaged some substantial increases in spending on traditional Democratic social programmes, which many Republicans oppose. At the same time, Republicans themselves are divided over some of the tax and spending plans.

On Wednesday, the Senate budget committee voted, along party lines, for a budget that rejected many of the main elements of Mr Clinton's spending proposals.

The decision drew an immediate and unexpectedly fierce rebuke from the president that recalled the days of more partisan disagreements over budget plans.

"Any old mule can kick down a barn," he warned, echoing the words of Sam Rayburn, the venerable Speaker of the House in the 1950s and 1960s, "but it takes a carpenter to build one."

Both the president's and the Senate proposals offer the prospect of growing federal surpluses over the next five years – cumulative black ink of $147bn from the Senate, against $100bn from the White House – and both would use the surplus to shore up social security, the state pension.

The main point of contention is on spending – specifically, the proceeds that could result from any agreement in the Congress on a tobacco settlement this year.

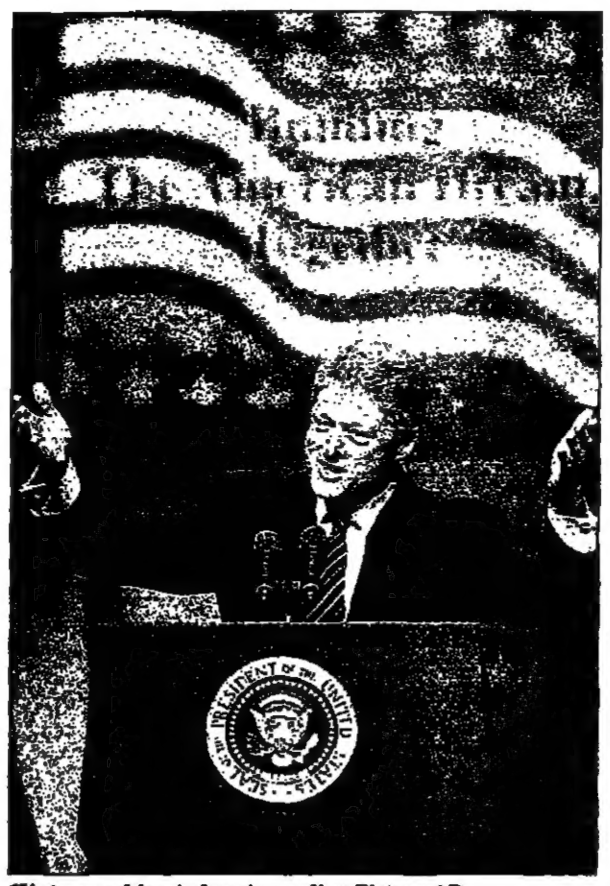
Mr Clinton is assuming a settlement that would produce $65bn in extra federal funds from a $1.50-per-pack increase in cigarette prices. This money would be used to pay for more spending on education, child-care and anti-smoking initiatives.

But in an unusual reversal of roles, Senate Republicans voted that any tobacco funds should go directly to increased spending on Medicare, the health insurance programme for the elderly.

The budget committee also called for $30bn in tax cuts in the form of more relief for married couples, capital gains tax reductions, and some child care credits. But it explicitly rejected Mr Clinton's calls for extra spending on schools and for a self-financing expansion of Medicare to cover those in the 55-65 age group.

Next month, a new dimension to the dispute will be added when the House starts to consider the budget plan. House Republicans seem to have their own set of objections to the work of colleagues in the Senate. Many conservatives oppose the use of a tobacco tax rise for more spending, and want to see offsetting tax cuts.

The acrimony of the debate recalled the fierce budget clash of 1995, when a zealous new Republican leadership in congress fought Mr Clinton in a long standoff resulting in several shutdowns of the federal government.



Clinton: seeking to boost spending Picture AP

Mexican budget creaks as oil tumbles

By Henry Tricks in Mexico City

Mexico is facing a budget crunch as the fall in world oil prices threatens the revenues on which the state depends.

The decline in global crude prices by more than a third over the past five months is not only affecting Pemex, the country's oil monopoly, which this week celebrated its 60th anniversary, but will have an impact on the 40 per cent of federal tax revenues which Pemex provides.

"We will take a hard look at the [oil] market in the first few days of April. The end of the quarter is a natural moment," said José Angel Gurría, finance minister. "We will do what it takes" to keep the budget on track.

The government has an official 1998 budget deficit target of 1.25 per cent of gross domestic product.

The basket of Mexican oil prices has fallen below $10 per barrel, compared with a targeted price this year of $13.50, already revised down by $2 in January.

Maya crude, which accounts for more than half the country's production, fell to lows of about $7 a barrel earlier this week. In 1997 Maya crude's average export price was $14.65 per barrel.

"For every dollar that the [average] price per barrel goes down on a yearly basis, Pemex loses $1.1bn in revenue. If prices continue falling and the government concludes $13.50 is too optimistic, they'll cut the federal budget again and Pemex's budget as well," said Rafael Quijano, head of the Washington-based Latin America Petroleum Intelligence Services.

The oil company is now contemplating a further cut in projected revenues this year.

Commodities, Page 32

Warning on internet security risk

By Alexander Nicoll in London and Louise Kehoe in San Francisco

Companies' growing use of the internet to transmit sensitive internal information has created national security risks, John Hamre, US deputy defence secretary, warned yesterday.

"The internet was never designed with security in mind," Mr Hamre said in an interview in London with the Financial Times. "The very openness of this technology, which leads to its dynamism, is what creates a risk."

Mr Hamre is on a tour of European governments to discuss computer security and possible counter-measures to "cyber-attacks".

The dangers of outsiders gaining unauthorised access to computer systems were driven home to the Pentagon last month when two teenage hackers in California mounted a sophisticated attack on its systems. They were reported to have been guided by an Israeli teenager, who was arrested in Israel on Wednesday.

The risks of disruption to civilian life were also highlighted this week when a teenager in Massachusetts was charged with a March 1997 hacking attack which shut down parts of a regional airport, although the prosecuting attorney said the boy "didn't have a clue as to what he was doing".

Mr Hamre said almost all attempts to hack into the Pentagon were by pranksters, in what he called a "culture of voyeurism and modest vandalism rather than a national security problem". The Pentagon had detected only one "primitive" attempt by a terrorist organisation to access its network.

However, he said the need for security was growing as almost all businesses were switching to electronic transmission of data via the internet rather than private, proprietary networks. For example, electricity sub-stations were switched on and off remotely by electronic command.

"You have to make sure that those [controls], if they are being done on the internet, can't be disrupted by someone from the outside who could turn off the lights in London," Mr Hamre said. "It's important to make sure that those control technologies are protected."

Commercial efforts to ensure, for example, the privacy of messages delivered via the internet have led to a growing demand for encryption technology. However, the US maintains strict export controls on such technology. It makes exceptions for systems incorporating "key recovery" methods. Mr Hamre is seeking the support of other countries for the US stance.

In key recovery systems the "key" or password needed to decode an encrypted electronic message is lodged with a trusted third party. Law enforcement authorities could obtain the key, for example, if they suspected criminal activities.

The technique raised fundamental issues about citizens' right to privacy and the steps governments should take to protect their countries against illegal uses of cyber-technology, Mr Hamre said. This was controversial, he acknowledged, because "there are a lot of people who fear this means the government is going to be able to read all your mail. The question becomes 'Who holds the key?'"

The US government was not seeking to hold all the keys, Mr Hamre said, but in France the government was planning to do so and in Britain there was likely to be a debate on the issue.

هكذا من الأصل

IRAN SANCTIONS

Oil company puts blame on Congress

By Robert Corzine in London

Total, the French oil company, says congressional opposition is the only obstacle to the Clinton administration in the US dropping its threat to impose unilateral sanctions against companies investing in Iran's oil industry.

Thierry Desmarest, Total's chief executive officer, said: "Without pressure from Congress the administration would have dropped the case against Total", which is developing the South Pars gas field in the Gulf along with Petronas of Malaysia and Gazprom of Russia.

In an interview yesterday, he said pressure was building on Washington from US oil companies which were worried about the proliferation of unilateral US sanctions against a number of countries.

Total has been one of the main beneficiaries of such policies, which have severely curtailed the ability of US oil companies – and their foreign counterparts with big US operations – to invest in politically controversial countries with promising, low-cost energy reserves.

In addition to Iran, Total has operations in Burma and Libya.

It has also been negotiating a production-sharing contract with Iraq to develop the Nahr Umar field when United Nations sanctions are lifted. That project is expected to cost about $3.4bn.

Mr Desmarest said no contract had yet been signed with Baghdad.

Nor had Total committed itself to buying long lead-time items before sanctions are lifted, a contract condition which the Iraqi government would like potential partners to agree to as a sign of good faith.

He disagreed with some industry observers, who attribute much of Total's recent success to its willingness to deal with unpleasant regimes.

"In a few cases, political constraints limit the level of competition," he acknowledged. "But they only represent a small proportion of Total's developments worldwide."

He was confident Total would continue to secure new deals even if the US reversed its unilateral sanctions policy on Iran and other energy-rich "pariah" states.

"We are strong enough to compete in such conditions," he said. "One of our competitive advantages has been to develop innovative contracts with developing countries, which in some cases have posed difficulties."

He said Total managed its political risk carefully, to ensure that it was not over-dependent on potentially unstable countries.

The politically pragmatic approach of Total and other continental European oil companies to doing business with controversial governments has been highlighted in recent weeks by outspoken comments by businessmen such as Mr Desmarest and Franco Bernabè, the head of Eni, the partly-privatised Italian oil company. The latter has taken to speaking publicly for the first time on the need to scrap sanctions against Iran, Iraq and Libya.

Total yesterday revealed new performance targets which suggest the present low prices will not deter the company from increasing its output. Even if oil prices average just $15 a barrel in coming years Total expects to achieve by 2002 a 14 per cent return on capital invested in oil and gas production.

North Sea oil, Page 9

Mandela speaks to the press after appearing in court to justify his appointment of an inquiry into racialism in rugby Picture Reuters

Angry Mandela kicks rugby chief into touch

By Victor Mallet in Pretoria

The bitterness in the Pretoria High Court yesterday over allegations of racism and corruption in South African rugby was a far cry from the mood on June 24 1995. It was then that President Nelson Mandela donned a Springbok shirt and cheered his country's almost all-white rugby team to a win over New Zealand in the world cup final.

The euphoria of that occasion – when Mr Mandela won the hearts of Afrikaner whites and the players earned the enthusiastic support of their black fellow-citizens – had evaporated long before Mr Mandela reluctantly took the witness stand yesterday.

"After four years in government I cannot say with any authority that non-racialism is applied in sport," he said. "There is genuine public concern with regard to what is happening in rugby today." Rugby administrators have been accused both of financial irregularities and of failing to do enough to promote black players in the sport.

Mr Mandela – the first South African president summoned to court to defend the actions of the executive – was giving evidence on a government decision to appoint a commission of inquiry into the South African Rugby Football Union. Sarfu, led by the formidable Louis Luyt, brought the court action in an attempt to stop the inquiry, arguing that the government had no constitutional right to intervene in the affairs of a private organisation.

Mr Mandela argued that Mr Luyt must have something to hide and that public suspicions needed to be cleared up. "If the commission decides that there is no substance in the allegations I will be one of the happiest men in this country because that will free rugby from the sad and paralysing atmosphere into which it has been plunged today," he said. "If those allegations are substantiated, they must pay the price."

The president accepted that Mr Luyt had worked hard in the past to develop non-racial rugby, but said he was perceived as "a pitiless dictator", and "authoritarian, that every official fears him – they tremble".

Yesterday's arguments turned on the question of whether Mr Mandela had "rubber-stamped" the decision to hold an inquiry, instead of giving it due consideration.

He made clear that he had an abiding interest in the future of rugby and said: "I never rubber-stamped any decision."

Mr Mandela spoke to Mr Luyt at the lunch break, placing his arm on his shoulder, but not before he had vented his frustration in court at being forced to appear as a witness when he had other work to do and having his credibility questioned. "I never imagined that Dr Luyt would be so insensitive, so disrespectful, so ungrateful as to say of the president of this country that when I gave my affidavit, I was telling lies."

WHO says 16 nations failing to take world TB epidemic seriously

By Clive Cookson, Science Editor

The World Health Organisation yesterday accused 16 countries of failing to take their tuberculosis epidemics seriously, even though TB is killing more people worldwide than any other infectious disease.

Their "lack of progress" meant the WHO would not come close to meeting TB control targets for the year 2000. An estimated 7m-8m people will become ill with TB this year and a record 3m are expected to die.

Such criticism of specific governments' health policies is believed to be unprecedented for the WHO, a United Nations organisation that normally avoids public confrontation with member countries.

The 16 countries are the source of half the world's TB cases. The organisation named them at the end of a three-day meeting in London of its Committee on the Global TB Epidemic.

Half the trouble spots are middle-income countries: Brazil, Indonesia, Iran, Mexico, Philippines, Russia, South Africa and Thailand. They "have the financial means to tackle TB but have delayed too long" in taking action, the WHO said.

The other eight are low-income countries: Afghanistan, Ethiopia, India, Burma, Nigeria, Pakistan, Sudan and Uganda.

"In at least four of them, there has been a deterioration in their efforts to control TB, as shown by worsening treatment success rates," the WHO said.

"Most of these countries will need financial assistance to fully adopt and quickly expand their TB control efforts."

Arata Kochi, director of the WHO's Global Tuberculosis Programme, said: "Some governments did not

'Poorly supervised and incomplete treatment of TB is worse than no treatment at all'

take WHO's declaration of a global TB emergency in 1993 seriously. Countries that did, such as Bangladesh, Vietnam and Peru, are making excellent progress toward controlling TB."

Even a poor war-torn country such as Congo could achieve a good treatment and cure rate, given the political commitment, Dr Kochi said.

The WHO's recommended control strategy is called Dots (for Directly Observed Treatment, Short-course). It involves diagnosing active TB from saliva samples on microscope slides, then using professional or volunteer health workers to make sure patients take a combination of cheap antibiotics for six to eight months, until all the bacteria have been eradicated.

Patients must complete the full course of drugs. Antibiotic-resistant TB mutations are likely to thrive if patients stop after a few weeks when they are feeling better but are not yet cured.

"From a public health perspective, poorly supervised and incomplete treatment of TB is worse than no treatment at all," said Dr Kochi. "Drug-resistant TB is more difficult and expensive to treat, and more likely to be fatal."

● The UK government yesterday announced a £21m ($35m) grant to India to introduce a WHO-approved TB control programme in the state of Andhra Pradesh.

India has 2m TB cases – 28 per cent of the global total – but only 2 per cent of the population has access to Dots.

Rajiv Misra, India's representative on the WHO TB committee, said a "sense of complacency" had prevented stronger action, but a recently negotiated World Bank loan, together with aid from the UK, would improve the position.

WORLD TRADE

Opic to re-open programmes in Vietnam

By Heather Bourbeau in Washington

The US Overseas Private Investment Corporation (Opic) yesterday signed a bilateral agreement allowing the federal agency to reopen its programmes in Vietnam after more than 20 years.

The signing marks normalisation of economic relations between the two countries. Before going into effect, the document must be signed by the Vietnamese government.

Last week, President Bill Clinton waived the Jackson-Vanik Amendment to the Trade Act of 1974. This prohibited normal trade with communist countries not permitting free emigration.

The waiver expands US-Vietnamese trade opportunities. It paves the way for Opic assistance, Export-Import Bank financing, aid from the Trade and Development Agency, and Most Favoured Nation status.

"This action comes at an important time for the economic development of Vietnam. Without Opic, US businesses have been at a disadvantage, seeing competitors reap the benefits of an expanding Vietnamese economy," an Opic official said.

Opic insures US foreign investments against war, nationalisation and other political risks. More than 19 companies are seeking Opic support for projects in Vietnam. Opic estimates these projects would generate $900m-worth of investment.

Senator John McCain, who spent six years as a Vietnamese prisoner of war, has pushed for greater economic relations.

"The opening of Opic programmes in Vietnam provides a critical indication of US interest in trade and investment with Vietnam, going a long way to ending a difficult chapter in our nations' history," Mr McCain said.

Not all in the Senate agree with Mr McCain or the administration. Senator Jesse Helms, chairman of the Senate foreign relations committee, voiced his concern. "This ignores the dire need for marked improvement in democracy and human rights. I can't avoid the conclusion the administration has abandoned the Vietnamese people once again."

Before re-opening its programmes, Opic wanted proof Vietnam was taking steps to meet international workers' rights standards. "The statutory review is completed and it confirmed Vietnam is taking necessary steps," an Opic official declared.

Last week's waiver was seen as a reward for Vietnamese co-operation with a refugee resettlement programme begun early last year.

Mr Clinton lifted an economic embargo on Vietnam in 1994. Many companies, including Pepsi and Coca-Cola, have been operating in Vietnam since. In 1997, trade between the two countries amounted to $1bn.

Renewed federally assisted programmes will encourage trade, but the US keeps high tariffs on many Vietnamese products. MFN status for Vietnam would cut these tariffs from 40 to 4 per cent.

Malev 'deepens' its talks with British Airways

By Kester Eddy in Budapest and Mike Skapinker in London

Malev Hungarian airlines yesterday announced it would "deepen" negotiations with British Airways as a potential strategic partner. Malev's chief executive, Sandor Szathmary, said he did not rule out other possible partners, but indications were that BA was well on the road to partnership with the Hungarian flag carrier.

British Airways declined to comment on whether it was in discussions with Malev.

BA has, however, been forging a series of partnerships in Europe to take advantage of the liberalisation of the European Union aviation market, which was completed last year.

Mr Szathmary stressed the airline's priority was to find a strategic partner to take the airline into the next century, with a financial investor only a secondary goal.

BA already has a French subsidiary, Air Liberté, and Deutsche BA, its German operation.

It has announced a partnership with Lot Polish Airlines, in which it said it might take an equity stake, and an alliance with Finnair. It is also talking to Iberia of Spain about taking an equity stake.

Malev aims to become a regional hub airline centred on the two new Budapest terminals at Ferihegy airport.

Since 1990 it has completely renewed its former Soviet-built fleet with 12 Boeings and 5 Fokker 70s. It retains three Tupolev 154s for charter flights only.

In 1998 it will operate 7 per cent more flights, increasing its passenger carrying capacity by 11 per cent on 1997. Malev will begin regular flights twice weekly to Beijing from September.

However, there are indications that relations between Malev and LRI, the airport company which runs Ferihegy, are not all smooth. Malev is pulling out of running the duty free shops at Ferihegy after LRI raised fees for running the shops to what Malev says are excessive levels.

The Hungarian government has stipulated a 25 per cent stake of Malev must remain in state hands, and at least 50 per cent must remain under Hungarian ownership.

Talks on FTAA make progress

By James Wilson in San José, Costa Rica

Trade ministers from 34 countries yesterday moved towards a consensus on how to build the Free Trade Area of the Americas, paving the way for negotiations between the hemisphere's leaders at a summit next month.

Gathering in San José, the Costa Rican capital, trade officials appeared to have hammered out a deal that would help create the free trade zone by the target date of 2005.

The negotiations yesterday appeared to have improved on slow progress made earlier in the week. A preliminary agreement indicated a compromise over the number of negotiating groups to be created, the location for the FTAA talks, and the way the presidency of the talks would be divided.

However, there are outstanding divisions on the concept of "early harvest" agreements, covering individual sectors such as information technology. While US negotiators are keen to make quick progress in such areas, Brazil and other Mercosur countries are opposed to this. Brazilian industry representatives made clear in San José that they wanted as much time as possible to implement reforms.

Under the plan evolved in San José, talks would begin in June in Miami under the presidency of Canada. After three years they would move to Panama, before ending up in Mexico.

Argentina and a country from the Andean Community would follow Canada as president, for similar 18 month periods. The US and Brazil would co-chair the final stages of talks.

Brazilian delegates claimed an important victory for the Mercosur trading bloc after the inclusion of a negotiating group dedicated to discussing agriculture. A Mercosur partner, Argentina, would begin chairing the group.

Nine negotiating groups are set to be created to advance different aspects of a final FTAA accord.

There was hope that the package would be approved during the course of a full ministerial meeting yesterday.

Meanwhile Thomas "Mack" McLarty, President Bill Clinton's special adviser for Latin America, reiterated US hopes that the leaders' summit in Santiago next month, would follow a broad agenda to cover "second generation" reforms such as strengthening of judicial systems and education.

Charlene Barshefsky, the US trade representative, said the US would continue to push for discussion of labour and environment issues in the context of FTAA.

US group eyes Czech paper deal

By Robert Anderson in Prague

A US developer is planning to make the biggest greenfield investment in the Czech Republic by building a $300m paper factory in central Moravia.

World Alliance Merchant Finance (WAMFCo) hopes to raise $200m from the US Eximbank and is looking for a Czech partner and a syndicated loan to raise the remaining $100m. Brown & Root, the US construction company, will manage the construction of the factory early next year and production should start in 2001.

David McElfresh, managing director of the project, said: "We are at the advanced development state. We are now entering the final crunch period of raising the finance."

WAMFCo is thought to be negotiating with a Norwegian paper group to operate the factory, to be located in Mohelnice, near Olomouc. The factory is expected to create 200 jobs in an area of high unemployment. The plant will produce 150,000 tonnes a year of coated wood-free paper for magazines and leaflets. The Czech Republic now imports all this kind of paper and the company hopes to corner this market and export two thirds of its production, at first mainly to western Europe.

Mr McElfresh said WAMFCo chose the site for its location between east and west Europe. Mohelnice industrial park is just off the end of the main highway to Prague, not far from the Polish border. WAMFCo, a small developer based in Massachusetts, has been looking to invest in the traditionally strong Czech paper industry since the early 1990s and had previously looked at projects in Plzen, western Bohemia, and in Slovakia.

The WAMFCo plant would be by far the biggest greenfield investment in the country. The largest completed project so far has been a $66m television assembly plant by Matsushita of Japan but First International Computer of Taiwan is opening a $100m computer assembly plant and Toray of Japan has announced it will build a $150m textile factory.

If the investment materialises, it will be particularly welcome because the country has in recent years lagged behind its neighbours in attracting foreign investment. After a strong start, the country is now second behind Hungary in foreign direct investment after privatisation and industrial transformation stalled. Last year $1.3bn was invested in the country, after $1.4bn in 1996, bringing total investment since 1990 to $6.8bn.

Call to spread benefits of IT

By Frances Williams in Geneva

Governments need to ensure the benefits from the forthcoming explosion in electronic commerce are widely spread among developing as well as industrialised countries, Renato Ruggiero, director-general of the World Trade Organisation, said yesterday.

Speaking at the launch of a WTO secretariat study on electronic commerce*, he said the new information technologies had the potential to act as an "equaliser" between rich and poor nations by providing access to global markets at low cost.

But this depended on putting in place the necessary infrastructure and appropriate government policies, including international co-operation to help provide "adequate and affordable access" to internet commerce for the citizens of developing countries.

Mr Ruggiero said the WTO, as a trade-liberalising organisation, favoured a minimal role for government.

The report argues that for electronic commerce to fulfil its potential, there has to be a framework of international rules, for example, to protect intellectual property rights and provide users with reassurance on the security and privacy of transactions.

Estimates quoted in the report suggest electronic commerce – defined as the production, advertising, sale and distribution of products via telecoms networks – could soar from virtually nothing to $200bn-$300bn or more to the turn of the century.

The WTO report examines the main unresolved regulatory issues surrounding electronic commerce.

But in deference to WTO members' sensitivities, it does not plump for preferred solutions or identify what the WTO's role should be in formulating them.

Washington proposed in February that WTO members agree to continue the current practice of not imposing customs duties on electronic transactions – products supplied in digitalised form over the internet.

But the response was cautious even to this relatively straightforward proposal, with many countries saying they wanted a deeper look at the implications of electronic commerce for WTO rules.

Electronic Commerce and the Role of the WTO; available from WTO publications, 154 rue de Lausanne, CH-1211 Geneva, fax +41 22 739 5792, website http://www.wto.org. SFr30.

Praise for US global companies

By Heather Bourbeau in Washington

US companies with global operations contribute to a higher US standard of living, concludes a report by the Emergency Committee for American Trade, a pro-trade organisation with members such as AlliedSignal, Boeing, and Time Warner.

The report, "Global Investments, American Returns", aims to dispel many myths surrounding US foreign trade and investment. Over 90 per cent of intermediary inputs used by US companies overseas come from US suppliers, and most foreign-earned profits, over 70 per cent, are returned to the US, the report says.

But the argument most likely to win over free trade sceptics is that US companies with overseas operations pay higher wages than domestic companies.

The Emergency Committee recommended maintenance of US open trade and investment policies, elimination of foreign barriers, and focusing on the "unique needs of US service industries".

PUBLIC NOTICES

The Electricity (Applications for Licences and Extensions of Licences) Regulations 1990

Regulations 3(2) and 7(2)

FORM OF APPLICATION FOR A PRIVATE ELECTRICITY SUPPLY LICENCE OR EXTENSION

1. ***Full name of the applicant(s)***
Nuclear Electric Limited

2. ***Address of the applicant(s) or, in the case of a body corporate, the registered or principal office***
Nuclear Electric Limited
Barnett Way
Barnwood
Gloucester
GL4 3RS

3. ***Where the applicant is a company, the full names of the current Directors and the company's registered number***

Executive Directors	Non-Executive Directors
Andrew Arthur Clements	John Bullock
Sir Charles Noel Davis	Sir Robert Charles Finch Hill
David Stuart Gilchrist	
George Edward Charles Jenkins	
Michael Brian John Low	
Peter Thomas Warry	

Company Registered Number: 3076445

4. ***Where a holding of 20 per cent or more of the shares (see Note 1) of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided.***
British Energy plc
10 Lochside Place
Edinburgh
EH12 9DF

5. ***Desired date which the licence is to take effect***
1 May 1998.

6. ***A sufficient description adequately specifying (see Note 2) the nature of the premises intended to be supplied, separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 below:***
All premises in the authorised area of the following public electricity supply companies as open to competition following a Direction issued by the Director:
Eastern Group plc
East Midlands Electricity plc
London Electricity plc
MANWEB plc
Midlands Electricity plc
Northern Electric plc
NORWEB plc
SEEBOARD plc
South Wales Electricity plc
South Western Electricity plc
Southern Electric plc
Yorkshire Electricity Group plc

7. ***(a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power bank as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimate demand (see Note 3) for each power band.***

(b) If the date in paragraph 5 above is on or after 1st April 1994 then only Power Band A shall be completed and if the said date is on or after 1st April 1998 then this paragraph shall cease to have effect.
Not applicable.

8. ***A description of the system of electric lines and electrical plant by means of which the applicant intends to supply electricity, indicating which plant and lines are to be constructed and which are existing plant and lines, and further identifying any parts of that system which will not be owned by or otherwise in the possession or control of the applicant:***
Existing lines and plant belonging to the following:
Eastern Group plc
East Midlands Electricity plc
London Electricity plc
MANWEB plc
Midlands Electricity plc
Northern Electric plc
NORWEB plc
SEEBOARD plc
South Wales Electricity plc
South Western Electricity plc
Southern Electric plc
Yorkshire Electricity Group plc
National Grid Company plc

9. ***A statement of the extent (if any) to which the applicant consider it necessary for powers under Schedule 3 (compulsory acquisition of land, etc.) and under Schedule 4 (other powers etc.) to the Act to be given through the licence for which he is applying***
All powers of acquisition of land etc. and all other powers available under Schedules 3 and 4 to the Act necessary to carry out activities under licence as a supplier of electricity.

10. ***Details of any licences held, applied for or being applied for by the applicant in respect of the generation, transmission or supply of electricity.***
Generation Licence (Ref: L/OF/194?GEN);
Private Electricity Supply Licence for England & Wales (Ref: L/OF/196/2TS)*;
Private Electricity Supply Licence for Scotland (Ref: L/OF/195/2TS)*;
Application for an Extension to Private Electricity Supply Licence for Scotland;
(* only permits supply to premises above 100kW)

Copies of maps relevant to this application have been lodged in accordance with Regulation 6 of the Electricity (Application for Licences and Extensions of Licences) Regulations 1990 at every Regional Office in England & Wales of the Office of Electricity Regulation. Copies are available for inspection by the public between 10 am and 4 pm on any working day.

Mrs B J Sullivan
Company Secretary
Nuclear Electric Limited
Barnett Way
Barnwood
Gloucester GL 3RS

The Electricity (Applications for Licences and Extensions of Licences) Regulations 1990

Regulations 3(2) and 7(2)

FORM OF APPLICATION FOR A PRIVATE ELECTRICITY SUPPLY LICENCE OR EXTENSION

1. ***Full name of the applicant(s)***
Nuclear Electric Limited

2. ***Address of the applicant(s) or, in the case of a body corporate, the registered or principal office***
Nuclear Electric Limited
Barnett Way
Barnwood
Gloucester
GL4 3RS

3. ***Where the applicant is a company, the full names of the current Directors and the company's registered number***

Executive Directors	Non-Executive Directors
Andrew Arthur Clements	John Bullock
Sir Charles Noel Davis	Sir Robert Charles Finch Hill
David Stuart Gilchrist	
George Edward Charles Jenkins	
Michael Brian John Low	
Peter Thomas Warry	

Company Registered Number: 3076445

4. ***Where a holding of 20 per cent or more of the shares (see Note 1) of an applicant is held by a body corporate or partnership or an unincorporated association carrying on a trade or business with or without a view to profit, the name(s) and address(es) of the holder(s) of such shares shall be provided.***
British Energy plc
10 Lochside Place
Edinburgh
EH12 9DF

5. ***Desired date which the licence is to take effect***
1 May 1998.

6. ***A sufficient description adequately specifying (see Note 2) the nature of the premises intended to be supplied, separately identifying premises within the power bands specified in and to the extent provided by paragraph 7 below:***
All premises in the authorised area of the following public electricity supply companies as open to competition following a Direction issued by the Director:
Scottish Hydro-Electric plc
Scottish Power plc

7. ***(a) Subject to sub-paragraph (b) indicate the total number of premises intended to be supplied in each power bank as shown in the table below, together with the aggregate energy forecast to be supplied and the aggregate estimate demand (see Note 3) for each power band.***
(b) If the date in paragraph 5 above is on or after 1st April 1994 then only Power Band A shall be completed and if the said date is on or after 1st April 1998 then this paragraph shall cease to have effect.
Not applicable.

8. ***A description of the system of electric lines and electrical plant by means of which the applicant intends to supply electricity, indicating which plant and lines are to be constructed and which are existing plant and lines, and further identifying any parts of that system which will not be owned by or otherwise in the possession or control of the applicant:***
Existing lines and plant belonging to the following:
Scottish Hydro-Electric plc
Scottish Power plc

9. ***A statement of the extent (if any) to which the applicant consider it necessary for powers under Schedule 3 (compulsory acquisition of land, etc.) and under Schedule 4 (other powers etc.) to the Act to be given through the licence for which he is applying***
All powers of acquisition of land etc. and all other powers available under Schedules 3 and 4 to the Act necessary to carry out activities under licence as a supplier of electricity.

10. ***Details of any licences held, applied for or being applied for by the applicant in respect of the generation, transmission or supply of electricity.***
Generation Licence (Ref: L/OF/194/GEN);
Private Electricity Supply Licence for England & Wales (Ref: L/OF/196/2TS)*;
Private Electricity Supply Licence for Scotland (Ref: L/OF/195/2TS)*;
Application for an Extension to Private Electricity Supply England & Wales;
(* only permits supply to premises above 100kW)

Copies of maps relevant to this application have been lodged in accordance with Regulation 6 of the Electricity (Application for Licences and Extensions of Licences) Regulations 1990 at every Regional Office in England & Wales of the Office of Electricity Regulation. Copies are available for inspection by the public between 10 am and 4 pm on any working day.

Mrs B J Sullivan
Company Secretary
Nuclear Electric Limited
Barnett Way
Barnwood
Gloucester GL 3RS

LEGAL NOTICES

Compagnie Bancaire

(incorporated with limited liability as a *société anonyme à directoire et conseil de surveillance* under French law, having the status of a bank)

Share capital of FRF 3,170,549,600

Registered office: 5 avenue Kléber, 75116 Paris
Company number 592 052 070 RCS Paris
(the "Issuer")

Notice of Meeting of the Holders of

Yen 10,000,000,000

5.3 per cent. Bonds due 1999
(the "Bonds")

ISIN Code GB 0042122217
on April 14, 1998

NOTICE IS HEREBY GIVEN that a Meeting of the bondholders of the above mentioned issue is convened by the Issuer at its registered office on April 14, 1998 at 10.00 a.m. (Paris Time) for the purpose of considering and, if thought fit, passing the resolution set out below, which will be proposed by the Issuer as an Extraordinary Resolution in accordance with the terms and conditions of the Bonds and the provisions of the Fiscal Agency Agreement.

Extraordinary Resolution

THAT, in accordance with the provisions of the terms and conditions of the Bonds, the merger of Compagnie Bancaire with Banque Paribas, a company incorporated with limited liability as a *société anonyme à directoire et conseil de surveillance* under French law, having the status of a bank, be approved. The merger will be carried out as a *"fusion-absorption"* under French law. The merger will be carried out in order to incorporate the various activities of the Paribas Group into a single structure. The merger will take place in mid-May 1998 with retroactive effect to January 1, 1998. Once the merger has taken effect, Banque Paribas will change its name to Paribas.

Further Details

Details of the background to and the reasons for the Extraordinary Resolution are contained in a document prepared by the Issuer (the "Explanatory Statement"). Copies of the Explanatory Statement are available for collection by Bondholders at the specified offices of the Fiscal Agent and the Paying Agents and at the registered office of the Issuer, set out herein. Copies of the Fiscal Agency Agreement are available for inspection by Bondholders at the specified offices of the Fiscal Agent and the Paying Agents and at the registered office of the Issuer, set out herein.

Voting and Quorum

1. A holder of one or more Bonds of the above mentioned issue wishing to attend and vote at the Meeting may deposit his Bonds with the Fiscal Agent or with a Paying Agent at its specified offices set out below or such Bonds may be held, to the satisfaction of the Fiscal Agent or such Paying Agent, to its order by Cedel Bank, *société anonyme* or Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System, for the purpose of obtaining a voting certificate, appointing proxies or giving voting instructions in respect of the Meeting until 48 hours before the time fixed for the Meeting but not thereafter.
2. Voting certificates issued and voting instructions given and the appointment of proxies made pursuant thereto for the Meeting will be valid for any adjournment thereof unless, in the case of voting certificates, they are surrendered before the time for which the Meeting or any adjournment thereof is convened, or, in the case of voting instructions, the receipt issued by the Fiscal Agent or the Paying Agent in respect of each deposited Bond is surrendered to it not less than 72 hours before the time for which the Meeting or any adjournment thereof is convened and notice is given by the Fiscal Agent or such Paying Agent to the Issuer of such surrender.
3. The quorum required at the Meeting is two or more persons present in person holding Bonds or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Bonds for the time being outstanding.
4. On a show of hands, every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll, every person who is so present shall have one vote in respect of each Bond so produced or represented by the voting certificate so produced or in respect of which he is a proxy.
5. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast thereon. If passed, the Extraordinary Resolution will be binding upon all the Bondholders, whether or not present at the Meeting and upon all holders of coupons appertaining to the Bonds.

Compagnie Bancaire.

Fiscal Agent and Principal Paying Agent
Banque Paribas Luxembourg, SA
10a Boulevard Royal
L-2093 Luxembourg

Paying Agents

Banque Paribas Belgique SA	Swiss Bank Corporation
162 Boulevard Emile Jacquain	Paradeplatz 6
B-1210 Bruxelles	CH-8010 Zurich

IN THE HIGH COURT OF JUSTICE
OF ENGLAND AND WALES
CHANCERY DIVISION
CH 1998 H 1376

In the Matter of

BISHOPSCOURT (BB&Co) LIMITED
(formerly Baring Brothers & Co., Limited)

and in the Matter of

BISHOPSCOURT (BS) LIMITED
(formerly Baring Securities Limited)

and in the Matter of the Trusts of an Agreement dated 8th March 1995

NOTICE IS HEREBY GIVEN, pursuant to the directions of Sir Richard Scott VC dated 11th March 1998 made on an application by Nigel James Hamilton, Margaret Elizabeth Mills and Alan Robert Bloom, the trustees of a trust fund (hereinafter called the "Trustees" and the "Trust Fund" respectively) established by ING Groep NV (formerly Internationale Nederlanden Groep NV, hereinafter called "ING") for the payment of certain creditors of the above-named companies in liquidation (hereinafter called the "Companies") under an agreement dated 8th March 1995 (the "Agreement") whereby the former assets and undertaking of the Companies were acquired by companies under the control of ING.

THAT any person who is a creditor of, or otherwise has a claim against, either of the Companies and may assert a right to payment from the Trust Fund whether as a beneficiary or otherwise, is required on or before *20th May 1998* to send to the Trustees at Ernst & Young (*reference Miss M. E. Mills*) at Becket House, 1 Lambeth Palace Road, London SE1 7EU England his name and address and a written statement of the nature and amount of that claim, and to do so regardless of any previous notification that may have been given in respect of that claim and, if so requested, to provide such further details or produce such documentary or other evidence of that claim as may appear to the Trustees to be necessary.

THAT the Trustees have applied to Sir Richard Scott VC for leave to repay the remaining balance of the Trust Fund to ING without recourse by way of tracing, indemnity or in any other way whatsoever.

AND THAT if you fail to notify the Trustees of a claim as required by this notice no provision may be made for the payment of that claim.

Dated this 20th day of March 1998

Signed: M. E. Mills

For Nigel James Hamilton, Margaret Elizabeth Mills and Alan Robert Bloom, the Trustees of the Trust Fund, of Becket House, 1 Lambeth Palace Road, London SE1 7EU.

No. 00414 of 1998

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF
ARCADIAN INTERNATIONAL PLC
- and -
IN THE MATTER OF THE
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was presented to Her Majesty's High Court of Justice, Chancery Division on 9th March 1998 for the sanction of a Scheme of Arrangement and the confirmation of the reduction of share capital of the above named Company.

AND NOTICE is further given that the said Petition is directed to be heard before the Judge of the Companies Court at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 30th day of March 1998.

Any Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of share capital should appear at the time of the hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any person requiring the same by the undermentioned Solicitors on payment of the Regulated Charge for the same.

Dated the 20th day of March 1998

CLIFFORD CHANCE
200 Aldersgate Street
London EC1A 4JJ

Ref: KO

Solicitors to the Company

The Insolvency Act 1986
High Court No 5381 of 1997
DISPLAY I.K. HOLDINGS PLC
(In Liquidation)

In accordance with Rule 4.106 of the Insolvency Rules 1987, I, Douglas MacDonald of The Macdonald Partnership, Martin House, 26-30 Old Church Street, Chelsea, London SW3 5BY give notice that I was appointed Liquidator of the above on 5th March 1998.
Dated 12th March 1998
DOUGLAS MacDONALD, Liquidator

BUSINESSES FOR SALE

CONTRACTS & TENDERS

ACCORDING TO THE LAW OF PROCUREMENT OF GOODS ETC.
(Narodne novine br. 142/97),
Port of Vukovar, Obala bb,
32000 Vukovar, Croatia,

is announcing:

International tender for the Purchase of a Mobile Harbour Crane, Lifting Capacity 40 tonne at 25 meters.

BASIC TECHNICAL SPECIFICATION

1. **Port of Installation - Vukovar, Croatia**
2. **Technical Construction**
   a) Portal Jib level lifting crane, to be placed on existing crane track of 10,5 meter span. Electrically driven, or
   b) Diesel Electric mobile harbour crane, placed on a manipulative prepared surface.
3. **Lifting Capacity**

Container Operation	-	40 tonnes at 25 meters
Grabbing Operation	-	15 tonnes at 32 meters
Hook Operation	-	40 tonnes at 25 meters

4. **Bulk of Delivery**
   Complete Crane including -
   Grabb, Hook, Crane Container Spreader 20' and 40', plus Technical Documentation.

Terms and conditions for tender can be obtained by written request. All other information can be obtained by:

Tel/Fax: 00385 32 41139 and
Tel: 00385 32 51420

Criteria for Acceptance:
1. Price
2. Delivery Deadline
3. Up to date, reliable Technical Specification
4. Running Cost of Crane usage.

Closing date for tenders - 30 days from date of publication of advertisement. In order to tender, bidders are required to advance a deposit of £20,000.

LEGAL NOTICES

20th March, 1998

Notice to all holders of the NatWest Securities Corporation Guarantee

REVOCATION OF GUARANTEE

As announced on 2nd December, 1997, National Westminster Bank Plc (NWB Plc) intends to withdraw from its Equities business.

The closure of the Equities business means that NWB Plc will withdraw the guarantee dated 24th April, 1997 given in respect of business transacted by NatWest Securities Corporation. NWB Plc hereby gives notice of termination of the Guarantee in accordance with Clause 9. Accordingly any trades transacted with NatWest Securities Corporation after 1st March, 1998 will not be secured by the guarantee.

China's iron man blazes a new trail

By James Kynge and James Harding in Beijing

Zhu Rongji, China's no-nonsense and often unsmiling new premier, is said by his compatriots to have an "iron face". Yesterday he proved he also has a silver tongue.

Sitting before 500 journalists in the Great Hall of the People, whose vast halls most commonly echo with lifeless platitudes, Mr Zhu displayed an unusual candour and passion. "I feel I shoulder an arduous task," he said. "I am most afraid that I will let the Chinese people down. However, no matter what lies ahead, a minefield or an abyss, I have no hesitations or misgivings, but I will blaze my trail and devote myself entirely to my people and my country till the last day of my life."

In China, where so much is read into so little, the screening of a live broadcast on such a wide range of issues is likely to encourage the feeling that China is entering a new phase of transparency and public debate.

But the differences in the new leadership appear to go beyond mere style. Mr Zhu's new cabinet, appointed on Wednesday, is composed of technocrats chosen for an ability to solve problems and push through a rapid programme of reforms.

Mr Zhu stressed reform of the debt-ridden state industry sector, which comprises some 370,000 enterprises, would not be delayed by pressures on China's economy from Asia's financial crisis and would mostly be achieved within three years. The technically insolvent banking system would also be reformed. Also, the number of civil servants in the central bureaucracy would be halved this year, Mr Zhu added.

Mr Zhu said spending on infrastructure, especially on roads and railways, would be increased this year to ensure that economic growth did not drop below the official target of 8 per cent. He added inflation would be kept below 3 per cent and reiterated that China would not devalue its currency, the yuan, despite pressures from the Asian financial crisis.

Housing reform will also boost an economy which has begun to tire under the weight of a chronic oversupply of goods. Tax collection, meanwhile, would be strengthened and a reformed medical insurance system introduced, Mr Zhu said.

"Housing development will be the new growth point for China's economy," said Mr Zhu.

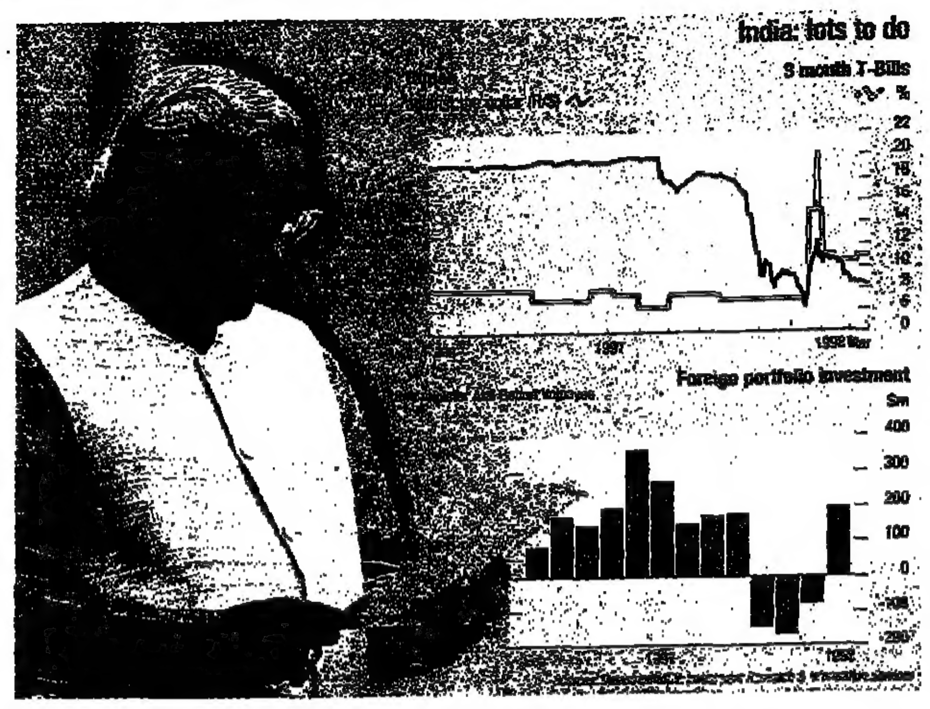
On other matters, Mr Zhu stressed China remained committed to realising the reform of state-owned enterprises within three years.

In contrast to the stiff atmosphere of previous years, vice-premiers sitting next to Mr Zhu at the news conference appeared relaxed, sometimes smiling or laughing. There was also some good-natured banter with journalists. Mr Zhu said he disliked the labels attached to him by the western media. "Whether you call me 'Gorbachev' [after the former Soviet leader] or 'economic tsar', I don't like it," he said.

Quizzed on democracy in China by a correspondent from Time magazine, Mr Zhu punctured the tension with a joke. He said he wanted to thank Time for recently publishing a cover picture which made him look "handsome" when, in fact, "I am not at all good-looking."

New regime in New Delhi set to tackle becalmed economy

Economists are urging decisive action from the new finance minister, Yaswant Sinha, writes **Mark Nicholson**



India's new finance minister Yaswant Sinha will find a full in-tray when he arrives in his North Block office today. There has now been a 4½-month policy hiatus since the fall of the last government.

Meanwhile, the economy has continued a becalmed drift. And the books will not look good.

Growth for the fiscal year ending this month looks disappointingly set to tip 5 per cent, after three years of GDP growth around 7 per cent. Industrial output continues to limp, averaging 4.9 per cent for the year, against 8 per cent a year ago. Export growth is similarly dismal, at a rate of 2.37 per cent in dollar terms this year, while imports have risen a little over 6 per cent – lower than expected and hurting customs receipts, which will contribute to a missed fiscal deficit target. The goal of 4.5 per cent of GDP set by P. Chidambaram, former finance minister, may be exceeded by at least a percentage point.

The rupee, meanwhile, which by virtue of India's more closed economy, has not suffered quite the travails of more easterly currencies, hovers at Rs39.50 to the dollar, but holds there largely thanks to a drastic two-point rise in interest rates imposed by the outgoing UF before the elections when the rupee breached 40 to the dollar.

The rate rise, though partially trimmed this week, has in turn pushed lending rates to around 18 per cent, further depressing already low investor sentiment.

All of which, economists say, will require decisive action from the new minister. "We're not in a crisis, nothing is beyond control," said Raja Chelliah, chairman of the National Institute of Public Finance and Policy, in effect the finance ministry's think tank.

"But action has to be taken quickly to avert a crisis. We can't drift like this."

The danger is that continued drift could find India slipping into a worsening balance of payments position and sharpen pressure on the rupee – a state of affairs akin to that of 1991, when outright crisis forced India into launching its economic reforms. Mr Sinha was finance minister at the time. "The situation is not as grim as 1991," said Mr Chelliah, "but we can easily slip towards that kind of situation unless some action is taken."

Though the BJP and allies have insisted the revival of the economy will top their agenda, both their manifesto and the "national agenda" agreed with their dozen allies contains little specific policy.

Moreover, various members of the BJP have voiced varying and often contradictory statements over recent weeks. There is also some concern among economists and others that the BJP lacks both experience and expertise in economic management.

"Their biggest mistake is speaking in so many different voices," Mr Chidambaram said last week.

On the rupee, for example, some alliance members recently suggested it should be made, somehow, to appreciate.

One senior BJP member, named yesterday to the cabinet, suggested it should be pegged at 17 to the dollar. Such statements prompted outgoing UF ministers last week to urge BJP leaders to discourage such statements, lest it affect the rupee.

The Finance Ministry is understood to believe that India's real effective exchange rate (its level adjusted for inflation relative to trade partners) is around Rs42 to the dollar, suggesting the Reserve Bank of India should continue the managed depreciation which has eased the rupee's dollar rate by around 10 per cent since summer.

Continued depreciation is among the few handy tools available to shore up export performance, whose sluggishness is otherwise attributed to deeper-rooted structural problems, including India's creaking infrastructure and the poor quality and range of Indian export goods.

Meanwhile, financing the external deficit will depend on continued inflows, including foreign direct and portfolio investment.

And, while BJP leaders this week sought to soften their *swadeshi*, or "self-reliance", tone, there remains in the party suspicion of portfolio investment – deemed undesireable "hot money" by some BJP leaders – along with a so far unclarified desire to "discourage" foreign direct investment in "non-priority" areas.

That apart, the new minister's next task is to prepare the next budget, which the election has already delayed by a month.

The new parliament will next week pass a "vote on account" to tide over government finances for the next three months. A budget is expected by late May or June.

Turning the broad policy of the "national agenda" into fine policy print may prove as difficult for the BJP alliance as it did for the UF – and this government's majority is razor thin.

Pakistan concern over India's nuclear 'option'

By Farhan Bokhari in Islamabad

Pakistan responded robustly yesterday to the new Indian government's suggestion that New Delhi might introduce nuclear weapons. Diplomats suggested that relations between the two countries might cool in coming months.

A Pakistan foreign office spokesman said: "The open threat to exercise the nuclear option creates a fearsome situation. It multiplies manifold the threat to Pakistan's security besides dealing a grievous blow to global and regional efforts at nuclear non-proliferation."

Gohar Ayub Khan, Pakistan's foreign minister, told the United Nations Conference on Disarmament in Geneva that India's statements could push south Asia into a "dangerous arms race".

Earlier this week, India's new government outlined an agenda which said it would introduce – or "induct" – nuclear weapons, although it said it had no "no time frame". Mr Atal Behari Vajpayee, prime minister, said: "We are keeping the option open and if need be, that option will be exercised".

The Pakistan spokesman said Pakistan "shall review its policy on the nuclear issue to safeguard its sovereignty, territorial integrity and national interests".

The statements from the two countries triggered anxieties among western diplomats, who have urged both countries, which have fought three wars since the Indian sub-continent was partitioned 50 years ago, to restrain their missile and nuclear programmes.

"If the statements from the two sides are any indication of emerging trends, it's likely that relations will become worse before improving," said one diplomat.

Some diplomats and officials indicated it was too early to draw too many interpretations from the government's first statement.

India tested a nuclear device in 1974. Pakistan has always denied western allegations it has acquired the capability to produce nuclear weapons.

Its official policy says its nuclear programme "is only for peaceful purposes" such as generating electricity or scientific research. Some officials also say that in spite of the statements on the nuclear issue, it is possible Islamabad and New Delhi may resume peace talks, stalled since last year.

Nawaz Sharif, Pakistani prime minister, in a gesture of goodwill towards the new Indian government, said this week: "After the elections in India and the induction of a new government, there should be serious efforts from both sides to resolve the issues through dialogue."

Bumps jar Hong Kong's progress

By John Ridding in Hong Kong

Hong Kong's return to China has been much smoother than many expected, on the political front at least. But a series of bumps has disrupted post-colonial politics over the past few weeks in sensitive areas ranging from the freedom of speech to the rule of law. They highlight the risks of the transition and are likely to provide a focus for controversy ahead of legislative elections in May, already a source of criticism for pro-democracy forces.

The latest row has been triggered by a Justice Department decision not to prosecute Sally Aw, a publishing tycoon, despite an inquiry by the territory's anti-corruption watchdog which linked her to a fraud case at her company.

The Independent Commission Against Corruption (ICAC) alleged that Ms Aw, a member of a Chinese political advisory committee, had conspired with three others to defraud advertisers in the group's Hong Kong Standard Newspaper division. The three have been charged. Ms Aw has not.

Coming hard on the heels of a decision by the Justice Department not to prosecute Xinhua, the official news agency and one of China's most important institutions in the territory, the case of Ms Aw has raised concerns about the rule of law in post-colonial Hong Kong. Xinhua failed to respond within the legal deadline to a demand from Emily Lau, a former legislator and leader of the Frontier party, for access to any personal files held on her.

The row has also soured an atmosphere already affected by criticism of Radio Television Hong Kong (RTHK) by a Hong Kong adviser to China. Xu Simin, a long-standing member of the Chinese People's Political Consultative Conference (CPPCC), condemned the broadcaster as "a remnant of British rule", accusing it of criticising the post-colonial administration under the pretext of editorial independence and raising fears of censorship.

Many had warned Beijing would seek to interfere in Hong Kong after the handover. But so far at least, the problems seem closer to home. Even Martin Lee, leader of the Democratic party, and a staunch critic of Beijing, says there is no evidence of Chinese influence in the recent cases. In an apparent reprimand to Mr Xu, the mainland chairman of the CPPCC said the organisation was not a place for discussing the internal affairs of Hong Kong.

For Mr Lee, the legal cases are particularly important. "We know that on questions of democracy there are divisions in Hong Kong," he says. "But when it comes to the rule of law, we all speak with one voice. We must not allow people to think there are two rules of law." For international investors, too, the rule of law is a vital support for Hong Kong's role as an international business centre and a bulwark against corruption.

Hong Kong's government dismisses claims of special treatment. "The status of any suspect, or political factors, did not feature in our decision," said the Justice Department. Tung Chee-hwa, the territory's post-colonial leader, said the decision to prosecute rested

Many warned Beijing would seek to interfere in Hong Kong after the handover. But so far the problems seem closer to home

entirely with the secretary for justice, Elsie Leung.

While the president of the Law Society warned against "opening the floodgates" by asking the Justice Department to justify every decision, pressure is likely to build. In an attempt to cool the issue, Ms Leung yesterday agreed to discuss the case with legislators on Monday.

Failure to ease concerns could lead to an uncomfortable ride for the government, strengthening the hand of its critics in the May elections. The administration's popularity has already been sapped by the feel-bad factor arising from the economic downturn. These latest controversies could further affect its standing.

But the robust response in Hong Kong is also a cause of encouragement. The politicisation of Hong Kong, which was bemoaned by China ahead of the handover and even by Mr Tung, has created a legacy of vigilance. "This is a very worrying case.", says Ms Lau. "But at least people think it is a big deal."

Habibie pledges commitment to reform process

By Sander Thoenes in Jakarta

B.J. Habibie, Indonesia's new vice president, yesterday told Japanese officials that his government was committed to economic reforms. Mr Habibie was in Tokyo spearheading a charm offensive with foreign donor countries designed in part to win new loans and prevent a sovereign default.

Taro Nakayama, a senior member of Japan's Liberal Democratic party, quoted Mr Habibie saying Indonesia lacked foreign reserves to pay sovereign debt. Mr Nakayama, a former foreign minister, said Japan was considering offering new loans to help Indonesia pay off loans coming due.

Indonesia's hard currency reserves dropped $2.7bn in February but were up slightly this week at $16.6bn, thanks to the central bank's drawing on a commercial $444m standby loan. Central bank officials have indicated that only about $10bn of the reserves is usable and some of that will be set aside for essential imports.

Mr Habibie said Indonesia was still committed to meeting some $7bn in sovereign debt payments due this year.

He said his government was making progress in talks with the International Monetary Fund and was determined to implement reforms required for access to a second $3bn tranche in IMF standby credits. "There are no polemics any more," one western banker said. "Instead, we have negotiations by professionals. They are talking solutions now. That is very positive."

The turnaround caught many by surprise after months of backtracking and paralysis in the government as it awaited the outcome of presidential elections.

"We can't exclude the possibility that Suharto, now that he has the politics out the way and has proved to everyone that he is firmly in control, feels he can get down to business and get serious about reforms," one of the visiting officials said.

Much hope is put on Tanri Abeng, a respected business executive put in charge of a new ministry for all 164 state enterprises, gathered under one roof as part of the IMF reforms to stop ministries from treating state-owned companies as cash cows. Mr Abeng earlier this week said he would set up a holding company for the enterprises, invite foreign investors and restructure or liquidate unhealthy companies.

Officials at Bank Indonesia, the central bank, have been active throughout the elections, detailing the bank's guarantee of deposits and liabilities of commercial banks to persuade foreign banks to resume lending and Indonesians to deposit their money again. It succeeded in easing access to some trade credits and guarantees.

Indonesia poses policy problems for Tokyo

By Michiyo Nakamoto in Tokyo

International diplomacy has hardly been Japan's forte. But in the past few days, the Japanese government has found itself in the uncomfortable position of trying to help resolve a conflict between an increasingly impatient US and a recalcitrant Indonesia.

As B.J. Habibie, Indonesia's vice president, embarked on a second day of meetings in Tokyo yesterday, Japanese government and business leaders were at pains to convince him of their sympathy towards Indonesia's plight yet at the same time support US insistence that Jakarta must comply with International Monetary Fund conditions.

Japan told its guest while it would like to do more to help, it could not do so outside the framework of the $43bn rescue programme devised by the IMF.

In his meeting with the Tokyo prime minister, Ryutaro Hashimoto, Mr Habibie asked for Japanese assistance for Indonesia's small and medium-sized companies but was told Japan was doing the best it could.

Japanese officials are aware that if Tokyo acted independently it might undermine the IMF programme, which would not go down well with the US, Japan's most important ally. However, Japanese officials are at pains to avoid putting undue pressure on Indonesia. Not only has Japan sought to avoid the perception that it is meddling in


B.J. Habibie (right), Indonesian vice-president, with Hikaru Matsunaga, Japanese finance minister Picture Reuters

the affairs of a neighbour, but as the economic powerhouse of the region, it is also keen to be seen as sympathetic towards the Asian position. "We do not want to appear as though Japan and the US are ganging up on Indonesia," says one Foreign Ministry official.

This sensitivity has meant that in spite of its status as the largest donor of development aid to Indonesia for the last four years, Japan has been less willing than the US, for example, to use its aid as a foreign policy tool.

Japan has provided Indonesia, its largest recipient of aid, with a cumulative Y3,100bn ($24bn) in aid. When Mr Hashimoto met Mr Suharto last weekend, he pledged another Y3bn in medical and food aid.

But all he was able to obtain from Mr Suharto in return was a rather vague commitment to live up to his pledge to the IMF, on condition that the international community becomes more flexible in its demands.

President Suharto himself may have hoped that Japan would support his arguments and attempt to convince the IMF to ease its conditions for financial assistance. But it is the Australian, rather than the Japanese, foreign minister who has flown to Washington on that mission.

Given its attempt to please both sides as best it can, and its current preoccupation with domestic affairs, a co-ordinated and effective effort to help resolve the Indonesian stalemate may be more than the Japanese government can, at present, deliver.

CABLE TELEVISION LONG-AWAITED AGREEMENT WITH DISCOVERY WORTH $565m

BBC signs deal for dedicated US channel

By John Gapper, Media Editor

The BBC and Discovery Communications, the US cable television company, yesterday signed a long-awaited $565m deal which will market BBC programmes internationally and launch a US cable channel dedicated to BBC programmes.

The agreement, which has been in negotiation for 18 months, follows a similar agreement with Flextech, the pay television company, to establish four commercial channels for UK cable and satellite services using BBC archives.

John Birt, the BBC's director-general, predicted that the BBC could triple its commercial revenues of £500m per year over the next decade, but insisted that it needed to retain its licence fee funding. The BBC is a public service broadcaster financed by a state levy – the licence – on users of television sets.

Mr Birt said it was a significant step in the BBC's ambition to be a global television and radio broadcaster. "The BBC wants to be the world's choice for authoritative and trusted news, and a showcase for British talent," he said.

The BBC will retain editorial control of BBC America, its new US cable channel, and will use it to show entertainment, classic drama and arts programmes to American viewers.

The UK corporation – which gains about £1.9bn ($3.2bn) annually from its licence fee funding – will get a 50 per cent stake in a factual programme joint venture based in the US. Discovery will invest $175m in making programmes through this venture.

Discovery is also investing $100m in BBC America, and $195m in other joint venture channels around the world. The BBC will not invest any cash in these ventures, but will allow access to its archives as well as making programmes.

John Hendricks, the founder and chairman of Discovery, said the BBC had already made a paper gain of $120m from its 20 per cent stake in the Animal Planet channel in the US.

He said BBC America had similar potential, although the US group had not yet struck any deals with cable operators to carry the channel on analogue services. He believed it could reach up to 25m US households within two years.

"We feel there is an abundance of the American point of view, and this will bring a fresh approach," Mr Hendricks said.

The BBC faced criticism over its commercial ventures from Gerald Kaufman, chairman of the culture committee of the House of Commons. He said the BBC was becoming a "hybrid organisation" and could not indefinitely retain the licence fee.

The BBC is also buying out stakes held by Pearson, owner of the Financial Times, and Cox Communications, a US cable group, in a joint venture company that has sold programmes in Europe. It will retain a similar venture in Australia.

OIL PRODUCTION

Speculation on merger activity as shares slide

Robert Corzine and **Virginia Marsh** look at prospects for consolidation in the sector

Low crude prices are encouraging speculation about the likelihood of consolidation in the UK's oil exploration and production sector.

Bankers say companies have put a rising volume of assets on the market, as falling oil prices hit cashflows. Brent is fetching about 40 per cent less than it did last November.

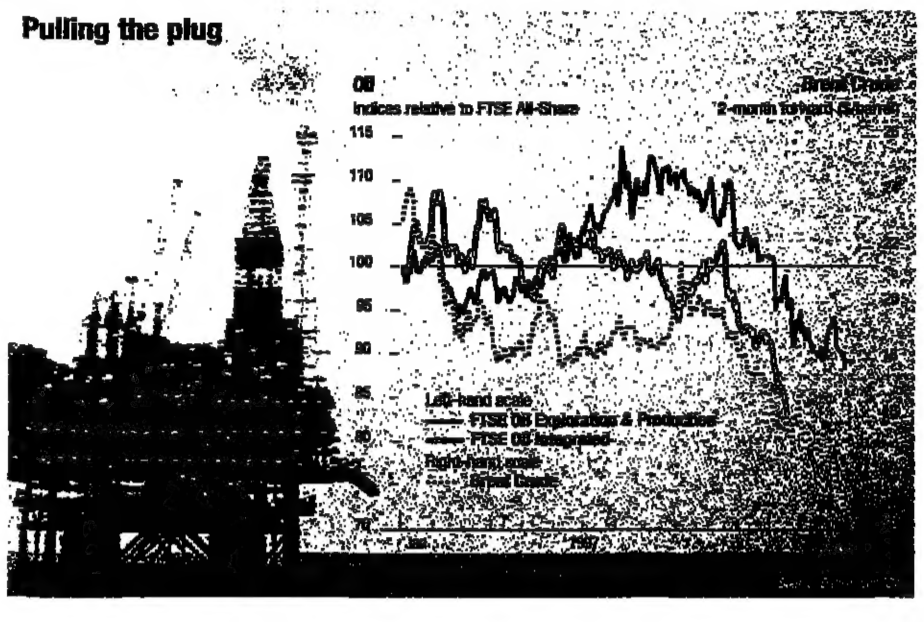
Groups such as Cairn Energy and British-Borneo, which have developed substantial operations in Bangladesh and the US Gulf of Mexico respectively, were until recently among the best performers in the sector as investors began to appreciate the value of meaningful asset bases in high potential areas.

But some focused companies worry that local concentration is at odds with the traditional way of spreading the risk in E&P portfolios, which is based in part on geographical diversification. Others question why time, money and scarce expertise should be spent exploring outside a company's core area merely to achieve some notional balance to its portfolio.

Would it not be better, they ask, to merge with a company focused on another area? That way they could attain genuine portfolio diversification while ensuring that managers remain concentrated.

Combinations that paired high cash flow companies with those with extensive capital development would also make sense, say analysts. "The logic of such linkups is impeccable," says Alan Gaynor, managing director of British-Borneo. "The question is whether egos will get in the way."

Pulling the plug



Another question is whether bigger global groups would sit by and watch such mergers take shape. Pierre Jungels, chief executive of Enterprise Oil, Britain's biggest E&P company, believes North American companies would probably swoop well before any agreed deals were completed.

US integrated oil companies such as Arco, Amoco and Texaco are natural acquirers, says Robin West, head of the Washington DC-based Petroleum Finance Company. "Any company with a significant share price fall relative to its peers will be vulnerable," says Martin Lovegrove, of bankers CIBC Wood Grundy.

Among the hardest hit in recent months have been Dragon Oil and Monument Oil & Gas, both of which have interests in Turkmenistan. Their share prices have underperformed the FTSE All-Share index by 37 and 35 per cent respectively over the past six months.

British-Borneo and Cairn have trailed the market by 36 and 31 per cent. Shares in Enterprise, traditionally the sector's blue chip company, have lagged behind by 32 per cent, and those of its rival, Lasmo, by 11 per cent.

The City of London's oil and gas corporate finance teams may be plotting the sector's consolidation but analysts remain sceptical over whether a wave of takeovers is imminent.

"Traditionally, deals in this sector have been done when prices start to recover after a downturn and at the moment oil prices are still falling," says Tony Alves at Henderson Crosthwaite, the brokers.

British-Borneo warning, Page 29

Unions head for clash with Blair

By Robert Taylor, Employment Editor

The threat of a full-scale confrontation this summer between the trade unions and the Labour government grew last night.

Union leaders called for a special conference of the Trades Union Congress to fight the government's forthcoming proposals if they reflect employers' demands.

Bill Morris, general secretary of the large Transport and General Workers' Union, said that a recalled congress was necessary for the unions to decide whether to support the government's proposals on recognition of trade unions for workplace bargaining on pay and conditions.

Senior union leaders said they were not reassured by a meeting with Tony Blair, the prime minister, on Wednesday at which they expressed concerns about the employers' proposals.

The TGWU is taking the initiative in calling for a definitive stand by the trade unions. It does not want to delay a protest against the proposals until September, when the TUC meets for its annual conference.

Last night the rightwing AEEU engineering and electrical workers' union swung into line behind the TGWU. Ken Jackson, AEEU general secretary, said he would back the TGWU position if Mr Blair backed the Confederation of British Industry, the largest employers' organisation.

The trade unions continue to insist any recognition proposal must accept that only a majority of those voting in a ballot should be necessary to secure recognition from an employer for bargaining purposes. The CBI wants a rule that requires a majority of those eligible to vote in the agreed bargaining unit to do so, something that the TUC opposes and which Mr Blair seems to accept.

The government's policy paper on fairness at work, which will present the government's final view on trade union recognition, is expected early next month.

The TUC has already decided to hold a special conference of trade union executives on 6 May to discuss the paper. The TUC general council is expected to assess government plans when it meets on April 26. John Monks, TUC general secretary, said last night the TUC had "no plans to hold a special congress".

Union leaders are also concerned by what they see as the prime minister's support for the employers' position which would outlaw any strikes concerning recognition.

NORTH SEA OPERATORS

Delay in tax increase baffles executives

By Robert Corzine in London

North Sea oil companies are considering appealing to the government for tax relief because Gordon Brown, the chancellor of the exchequer, disclosed in his Budget package on Tuesday proposals that would increase the tax take from offshore operations.

With crude oil prices hovering around nine-year lows, oil executives say they are baffled by the government's announcement this week that it will extend the review of North Sea taxation by another year.

"The government has not really appreciated how difficult the situation is in the North Sea," said Sid Price, chairman of the fiscal committee at the UK Offshore Operators Association, which includes the 37 companies licensed to explore and produce oil and gas offshore. "The oil industry is not crying wolf this time," said Mr Price.

The companies are considering a direct approach to Mr Brown.

They complain that the combination of the new proposals and the delay in deciding on a new regime will exacerbate the uncertainty in the industry and undermine international confidence in the North Sea, which remains a relatively expensive oil producing region, despite recent progress in cutting costs.

There were also warnings yesterday that job losses in the offshore contracting sector may soon emerge because companies are putting new development projects on hold because of the fiscal and price uncertainty.

Syd Fudge, head of the Offshore Contractors Association – the trade group for platform fabricators and other oil service providers – said there are "severe worries" that workers being laid off as current construction projects come to an end, may not be rehired later in the year, as is usually the case.

"It's the worst of all combinations," said Mr Fudge. "The government has said it will raise offshore taxes, but the only question is how and when."

On Tuesday the government announced extended consultation on a new tax regime after finding that the present system – viewed by the international oil industry as one of the most favourable in the world for investment – failed to ensure fair revenues for the government.

Tunnel link finance deal to be proposed

By Jonathan Ford in London

London & Continental Railways, the troubled Channel tunnel rail link consortium is to propose to the government a deal under which it would complete the link with financial backing from Railtrack, the privatised rail infrastructure company. The 110km link takes trains from Paris and Brussels from the tunnel to London.

The consortium, which has been given until the end of this month to put forward a revised plan for building the link, is assembling a rescue plan with its advisers, Deutsche Morgan Grenfell and SBC Warburg.

Partial sell-off of London Underground to be unveiled

John Prescott, deputy prime minister, will today announce plans for partial privatisation of the London Underground railway, including an expected injection of an extra £350m ($584m) to tide it over an immediate funding shortfall, **George Parker and Charles Batchelor** *writes. The government is expected to split the network into three private sector concessions to manage the infrastructure – track, tunnels, signalling and stations – leaving London Transport as the publicly owned operator of trains.*

However, if an attractive single bid is made for all the infrastructure, the government would be prepared to accept it. If the public sector does not meet its performance targets, the entire network could be handed over to private ownership.

Under the proposals, Railtrack would undertake to purchase the link from LCR once it is completed at a price that would reflect the cost of construction. Railtrack, which would have to agree to the deal, refused to comment. LCR would use the contract as a guarantee, allowing it to raise sufficient cash through bond issues to finance construction of the £5.4bn ($9.0bn) line.

The consortium is also thought to be asking the government for 10 years to complete the link, which would bring it into operation well beyond the original completion date of 2003.

According to observers close to the discussions, a final plan is unlikely to be ready when the deadline expires at the end of the month. LCR will present outline proposals and ask for a further extention.

It also emerged yesterday that British Airways and National Express, the UK coach, airport and rail group, have submitted a joint proposal to the government to run the Eurostar rail service, which is currently owned by LCR.

The companies, last week revealed to be in talks about a bid for the London-Paris and London-Brussels cross-Channel route, have tabled an indicative bid. The move pits the companies against Richard Barnson's Virgin Group, which has confirmed its intention to bid.

Lex, Page 29

NEWS DIGEST

MOTOR INDUSTRY

Car workers' fears over GM factory dismissed

Union warnings over a British car plant of General Motors' Vauxhall offshoot were yesterday described as "alarmist and premature" by company executives. Vauxhall unions fear the company's Luton plant, to the north of London, could face closure with the loss of 4,500 jobs because the US parent has decided to invest in its factories in mainland Europe. Vauxhall chiefs met union leaders yesterday to seek agreement on ways of cutting costs and improving productivity. Union fears have been triggered by GM's failure to provide an assurance that the replacement for the Luton-built Vectra model – code-named Epsilon and due to enter production in 2003 – will be built at Luton, as well as in Germany and Belgium.

● UK car production increased in February by 1.3 per cent, to 147,840 compared with the same month last year. But sterling's strength was reflected in slipping production for export, which fell by 3.6 per cent to 86,186 year-on-year. Output for the domestic market increased by 9 per cent, to 61,654. Commercial vehicle production overall fell during the month, by 9.5 per cent to 18,974. Export production fell 17.3 per cent to 7,987. **John Griffiths and Robert Taylor, London**

PROPERTY MARKET

Second-best year since 1988

The property market had its best year last year since 1993 and the second-best since the height of the property boom in 1988, industry figures show. The data also show that a record 22 per cent of British commercial property changed hands last year, compared with an average of 15 per cent, suggesting the market is more liquid than ever. According to Investment Property Databank, compilers of the industry's key index, 1997 annual total returns were 17.8 per cent, up from 10.8 per cent in 1996, but below the 19 per cent returns earned in 1993. Property outperformed bonds for the second successive year, although returns remained below those of UK equities. The capital value of the 13,721 properties measured by the index was £65.4bn ($109bn). Nearly half were retail properties, the best-performing sector of the market. **Norma Cohen, London**

END OF DUTY-FREE SALES

Workers' protest to close port

Ferry passengers and road hauliers face serious disruption today when the port of Calais, in northern France, is shut by a protest by French workers demonstrating at Europe-wide plans to end duty-free sales. P & O Stena Line said it would divert its services from Dover, in England, to Zeebrugge in Belgium, though this was a longer journey. The company said it would protest to the French authorities about the disruption. The Freight Transport Association, representing UK hauliers and their customers, said it was advising members to divert to Zeebrugge or use freight trains through the Channel tunnel. The strike will close Calais until 05h45 London time on Saturday. **Charles Batchelor, London**

PARLIAMENTARY STANDARDS

Premier criticised over F1 trip

The controversy over the governing Labour party's relationship with Formula One was rekindled yesterday after Tony Blair, the prime minister, was criticised by the standards and privileges committee of the House of Commons for not registering a free visit to the 1996 British Grand Prix. The committee backed a ruling by Sir Gordon Downey, the parliamentary standards commissioner, that Mr Blair should have registered the hospitality in the register of MPs' interests. Mr Blair took his wife and family to Silverstone in July 1996 as guests of the Federation Internationale de l'Automobile, the sport's governing body. Mr Blair said he had not believed the visit should be registered because he had been invited in his official capacity as then leader of the opposition. During his visit, Mr Blair met Bernie Ecclestone, the Formula One promoter, who gave Labour a £1m donation in the run-up to the election. The money was returned after allegations of a potential conflict of interest over the government's decision to exempt Formula One from a ban on tobacco sponsorship in sport. **David Wighton, London**

FILM POLICY

Hollywood studios may get aid

Film producers based outside Britain, including Hollywood movie studios, may be able to apply for UK tax breaks and National Lottery subsidies if proposals from the UK government's film policy review group are implemented. The group, co-chaired by Stewart Till, a senior PolyGram executive, and Tom Clarke, the film minister, is due to publish its recommendations next Wednesday. It has also explored ways of broadening the definition of what constitutes a UK film. The legal definition is fairly narrow and riddled with idiosyncrasies, such as excluding any film in which more than 7.5 per cent of the soundtrack was recorded outside the UK even if it was shot in the UK with a local crew. It is understood the review group will recommend the definition should be simplified and widened.

Non-UK producers would be able to apply for tax breaks or lottery subsidies for pictures now deemed to fall outside the "UK-film" definition. **Alice Rawsthorn, London**

Daewoo deal gives lifeline to group that emerged from Daf

Vanmaker LDV, second only to Ford in the tough British market, knew it could not expand on its own, **Haig Simonian** writes

The British government's £25m ($42m) subsidy to the joint venture between Daewoo of South Korea and LDV, the independent UK vanmaker, was essential to seal the deal, Margaret Beckett, the chief industry minister, said yesterday. "This is a project with some potential, but with some risks," she added.

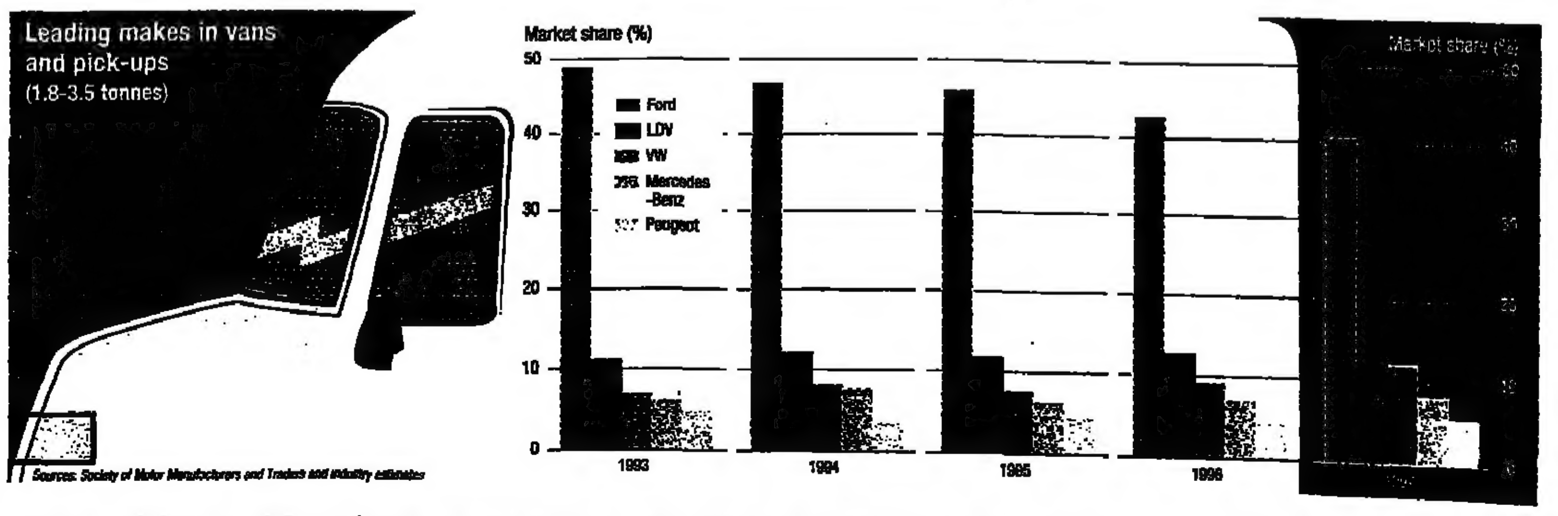
The £160m project, in which Daewoo is investing £25m, will raise LDV's output to 80,000 vans a year by 2005 compared with about 17,000 last year. Up to 75 per cent will be exported. It provides a lifeline for LDV, which rose from the ashes of the collapsed Daf group in 1993. Since then, it has maintained second place in the tough UK van market behind Ford.

But although LDV has survived and even flourished – modernising its veteran range in 1996 – the company recognised it lacked the deep pockets required to develop newer vehicles. "There can be up to 500 engineers working on a single programme; that's too much for LDV alone," said Allan Amey, LDV chief executive.

The company accounted for 12.4 per cent of the UK market last year. But that was down from 12.7 per cent in 1996 as competition increased, notably from Mercedes-Benz. Buoyed by new products, the German group's share climbed from 9.7 to 12.2 per cent last year.

LDV's sales also under-performed the market's 11 per cent rise last year. Mercedes-Benz, by contrast, soared by nearly 47 per cent in the UK. Volkswagen and Peugeot-Citroëen also outperformed with the help of new products. Mr Amey says LDV's sales this year are up about 15 per cent. But the difficult market conditions in 1997 kept profits pegged to roughly the 1996 level.

Leading makes in vans and pick-ups (1.8-3.5 tonnes)



Sources: Society of Motor Manufacturers and Traders and industry estimates

Competition will get tougher. Ford should unveil its new Transit in the next 18 months; Fiat's Iveco commercial vehicles subsidiary wants to step up sales. In addition, the strength of sterling has made all the mainland European manufacturers more competitive.

Daewoo itself has other worries. The group has borrowed heavily to finance breakneck expansion in recent years. But vehicle sales in Korea have plunged after last year's economic crisis. Regional demand in south-east Asia is also down. Daewoo is very exposed.

Last month, the company's predicament led to a surprise agreement with General Motors – its former mentor in cars. The two are examining co-operation in various areas. Some observers believe GM could take a direct stake in Daewoo's car business.

Should that happen, partnership with LDV could be tricky. In late 1996, GM announced a return to the van business in Europe via a joint venture with Renault. Its new products, due early next century, will be built at GM's IBC subsidiary in England. Should GM tie the knot with Daewoo, the US group is unlikely to want to compete with itself.

The Daewoo counterparty to the LDV deal is Daewoo Motor Poland, the group's Polish arm.

BANKING FINANCE & GENERAL APPOINTMENTS

CORPORATE FINANCE

OUTSTANDING OPPORTUNITY

HONG KONG BASED/ASIAN FOCUS

Our client is the Asian merchant banking arm of one of Europe's largest and most strongly capitalised financial services organisations. The group has an outstanding reputation for innovation and has taken an aggressive approach to building one of the most successful corporate finance teams in Asia. The core activities of the Hong Kong-based corporate finance department include the provision of mergers and acquisitions, privatisation advice and equity and equity-linked securities issuance. The group is seeking to recruit a small number of intelligent, strongly motivated individuals to join the 100 strong corporate finance team at the following levels:

ANALYSTS

Successful candidates will have

- at least two years related experience with a top tier financial services institution
- graduated from an internationally-renowned university with a first class degree
- a high level of numeracy – a finance and/or accounting qualification will be an advantage
- fluent spoken and written English and, preferably, Asian language skills
- the necessary commitment and drive to succeed within a dynamic team-based environment.

MANAGERS

Successful candidates will have

- at least four years corporate finance experience, preferably with substantial exposure to mergers and acquisitions and/or equity capital markets
- gained specialised industry-specific knowledge within the Asia region
- top level presentation, negotiation and written English skills
- a first class academic background
- an established network of client contacts within the Asia region

An attractive package and first class promotion opportunities will be open to the successful candidates. Interested parties should send a Curriculum Vitae (headed Analyst or Manager as applicable) to **James Muston at Robert Walters Associates, 2119 Jardine House, One Connaught Place, Central, Hong Kong. Tel: + 852 2525 7808. Fax: + 852 2525 7768. Web: http://www.robertwalters.com** You may also apply via http://taps.com Robert Walters quoting reference RW37.

http://taps.com

ROBERT WALTERS ASSOCIATES

FS30091

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG ... BRISBANE WELLINGTON AUCKLAND

European M&A Specialists

£40-50,000 + Bonus

Our client, a Global Investment House, is seeking to enhance its expanding and highly successful reputation in the European markets. A leader in its field, successful transactions have spanned a variety of sectors across Germany, France, Italy and Spain. Increasing business volumes necessitates the recruitment of several top calibre individuals.

The ideal candidate will possess:

- Fluency in German and preferably another European language
- At least 2 years' financial experience, MBO experience would be a bonus
- Outstanding academics (MBA or ACA desirable)
- An assertive personality and the drive to succeed

This is an exciting opportunity for entry level and experienced Corporate Financiers offering superb rewards and a chance to develop your potential.

UK M&A Transactors

£40-60,000 + Bonus

Corporate Finance activity levels are rising across the UK and predictions for 1998 are showing no signs of slowing down. As a consequence, many of our highly successful clients are looking to capitalise on this busy time by expanding their UK M&A teams. Vacancies exist at both Executive and Manager level for candidates who have UK transaction experience from an Investment Bank, Big 6 Corporate Finance team or UK Boutique.

Prospective candidates must possess the following:

- 1-4 years Corporate Finance advisory experience
- Thorough knowledge of Yellow and Blue book
- Strong academic record, ideally ACA, MBA or LLB

If you would like to explore the possibility of enhancing your career within an environment where business is assured, call us here for more details.

Contact: Amanda Lote

Trading Floor Quants

£40-90,000 + Bonus

This market leading US House is looking to add to an already strong and established Equity Derivative and Convertible Bonds Trading group. The team has a strong base of experience and the success of recent trading activities has necessitated the recruitment of a further analyst to complete the jigsaw.

The successful candidate will possess the following:

- Quantitative/relevant Phd in Maths, Physics or Engineering
- 1-3 years' exposure to Exotic Derivative pricing and structuring
- In depth knowledge of Fixed Income, Equity or FX Derivatives

This position offers a unique opportunity to join an established team which is well respected within a top tier US bank. The interview process will be tough, and will reflect the fact that our client will not compromise their commitment to recruiting the very best staff.

Junior Bank Analyst

£40,000 + Bonus

Frustrated? Bored? No longer challenged? If not, why are you reading these adverts? Our client is a leading US Investment Bank that is looking for an individual of nothing less than the highest calibre. They are market leaders in Fixed Income research and as such, are rapidly expanding whilst others shrink.

For consideration, you will have the following:

- 1-2 years financial institutions credit analysis
- Excellent academic background
- A robust personality that is confident in front of all types of individuals including Directors and traders with whom you will have direct contact

This is your chance. Your analytical skills will be tested, your communication skills will be tested. The right candidate can however expect the best environment in which to better themselves in an organisation which is arguably second to none.

Contact: Alex Babic

16 - 18 New Bridge Street, London EC4V 6AU
Tel: 0171 583 0073 Fax: 0171 353 3908

BADENOCH & CLARK
recruitment specialists

Financial Markets Analyst

GENEROUS CITY PACKAGE · LONDON

THE COMPANY

Mercury Asset Management is one of Europe's leading investment houses and recently became a subsidiary of Merrill Lynch. With over £100 billion under management and offices worldwide, Mercury has a reputation for professionalism and performance. As the first fund management group to be recognised as an Investor in People, managing and developing our staff is as important as managing and growing the funds entrusted to us.

INVESTOR IN PEOPLE

THE OPPORTUNITY

The Asset Allocation and Economics Team, which provides a global service to all of Mercury Asset Management's divisions and clients, now seeks to appoint an experienced Financial Markets Analyst. Your responsibilities will focus on maintaining and developing the Mercury Valuation Framework, together with analysing market conditions and developments. The role involves gathering in-house views as well as liaison with external analysts and strategists, plus potential for representing the team's views in internal and external meetings.

THE PERSON

Of graduate calibre, you will be an experienced financial analyst and/or economist, with ideally 3-5 years in Asset Management and/or Global Markets. You will be able to show a record of success in analysing financial markets and market developments and will have a well-developed and precise written and verbal communication style. This important role will be filled by an effective, productive individual whose work will be a crucial part of our assessment of the prospects for markets.

Interested candidates should write with full CV, quoting current rewards package to Petra Rickmeyer, Financial Services & City Practice, Hoggett Bowers, 28 Essex Street, London WC2R 3AX, Tel: 0171 970 9800, Fax: 0171 936 3974, quoting ref: LPR/15839/FT.

MERCURY
ASSET MANAGEMENT

MERCURY ASSET MANAGEMENT ltd REGULATED BY IMRO

LEADING US BANK

ASSISTANT VICE PRESIDENT/ VICE PRESIDENT - SALES

Competitive salary, substantial performance-related bonus plus banking benefits **LONDON**

Our client is one of the leading US commercial banks. It is a market leader across a variety of product areas. One of its most successful product areas is Issuer Services (ADRs/GDRs and Corporate Trust) - it currently enjoys the leading position worldwide. Because of the continued success of the business there is now a requirement for an additional member for the Europe, Middle East, Africa (EMEA) sales team.

The Position

- Identify new business opportunities.
- *Use the Bank's existing relationships to secure* new business mandates.
- Manage the entire sales process at senior levels.
- Conduct formal and informal presentations to target groups both in and outside of the Bank.
- Establish/maintain contacts with investment bankers, lawyers, stock exchanges, investor relations organisations and other specialists involved in the market.

The Requirements

- Proven corporate sales experience would be a distinct advantage, however other acceptable backgrounds could include investor relations or capital markets.
- Knowledge/understanding of the securities industry.
- Outstanding communication (verbal & written) skills.
- Personal qualities will include determination, *thoroughness, focus and team playing orientation.*
- University education and fluency in a second European language would be desirable.

Please send your CV with current salary details to: Linda Muir, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 6199F/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

International Investment Bank

TAX MANAGER

EXCELLENT PACKAGE / LONDON

A leading international investment bank with a major presence in all of the principal capital and financial markets. The London office provides a full range of brokerage and investment banking services and oversees offices across Europe and the Middle East.

THE POSITION

- High-profile role providing sophisticated tax engineering advice across diverse business and product areas.
- Pivotal role in new product development within flexible business structure. Provide tax expertise across all areas of the bank.
- Advise management and drive major initiatives. Build and manage small team.

QUALIFICATIONS

- Bright graduate. ACA and/or ATII qualified with a minimum of four years' relevant post-qualification experience, ideally gained within an investment bank.
- First-class technical ability combined with the creative flair to develop the business and establish workable solutions to complex tax issues.
- Exceptional communication skills. Self-motivated, proactive and flexible approach. Ability to work with and influence senior management.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 980304, to SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: shpa@shpa.co.uk

---

ALCHEMY PARTNERS

PRIVATE EQUITY IN GERMANY

Alchemy is opening a new office in Frankfurt and requires excellent professionals at levels from associate to partner.

Previous private equity experience is not essential but you will have:

- High energy & intelligence
- A flexible approach
- Fluent German
- High achievement in industry or finance

At partner level, we are seeking individuals with a background in industry. Chief executive experience is preferable but not essential.

We offer highly attractive remuneration packages including considerable equity participation.

Please apply in writing to: Jon Moulton, Managing Partner
Alchemy Partners
11 Adam Street
LONDON WC2N 6AA
Fax 0171 240 9594
Email: 106561,3325@compuserve.com

We promise a prompt response.

BUSINESS DEVELOPMENT ANALYST

A leading multinational consumer goods company in the Lake Geneva area is seeking a young, talented, highly numerate individual with good interpersonal skills. Reporting to the Business Development Manager, he/she will provide support in environmental and strategic business analysis, primarily in conjunction with the organisation's long-term strategic plan, in response to particular business issues and in support of new business developments. He/She will assist in defining, conceptualising and implementing optimal business strategies, evaluating project alternatives and making recommendations to senior management. This position will entail ongoing contacts will all the HQ Departments as well as Affiliates and business partners.

The ideal candidate will have:

- a business degree
- at least two years exposure to a business, financial or consultancy environment
- experience in applying financial and statistical tools for business
- ability to work in a team effectively and efficiently to meet short project-related deadlines
- good oral and written communication skills
- fluency in English and at least one other European language

This is a unique opportunity for a bright individual to develop his/her skills in an international environment. The company offers excellent career prospects and a remuneration package commensurate with qualifications and experience.

For details, *write with full curriculum vitae* or call.

Ms L. Rauschenbach
13 Chamin des Chamuses
CH-1234 Vessy/Geneva
SWITZERLAND
Phone: 0041 22 784 32 82 Fax: 784 33 87

Securitisation Analysts

London **Attractive Package**

Our client is an international financial services institution *renowned for the quality* of the products and advice provided to its clients. The European structured finance team looks at securitisation transactions in various asset classes and is expanding due to growth in demand for its services. This has resulted in two opportunities for high calibre credit professionals to join this respected group in the area of mortgage backed and commercial paper transactions.

Key responsibilities will be:
- Financial analysis and modelling.
- In-depth analysis of mortgage and asset backed, monoline insurance and commercial paper transactions.
- Structuring of both domestic and offshore programmes, including exposure to US, Australian and Asian markets.
- Transaction and documentation negotiation.

Candidates for both roles will possess:
- Outstanding academics, together with a sound credit analysis training from a recognised institution.
- A minimum of four years international securitisation experience with specific exposure to the relevant specialisations.
- Strong track record of involvement in the structuring of transactions.
- Excellent analytical and communication skills

The successful candidates will receive an excellent renumeration package which will entirely reflect experience. Performance will be rewarded with good *progression in terms of responsibility and position.*

Interested candidates should contact Mark Pettman enclosing an up-to-date copy of their CV at Michael Page City, 50 Cannon Street, London EC4N 6JJ. e-mail: markpettman@michaelpage.com Fax 0171 329 2986. Please quote reference 409812. All enquiries will be treated in strictest confidence.

Michael Page
CITY

London · New York · Paris · Amsterdam · Frankfurt · Milan · Madrid · Hong Kong · Singapore · Sydney

International Tax Advisers

Tax Time for self-assessment?

Tax is on everyone's minds at the moment. As a professional you are no doubt hotly debating the impact of the Budget on your clients. But think about yourself as well as your clients. Is your tax career developing the way you want it to, or is it time for self-assessment?

Whether you are a lawyer or an accountant in either a legal or an accountancy practice, we want you to think about a career in tax with one of the City's most prestigious international law firms.

So what can we offer that is different?

Linklaters is consistently involved in creative and high quality tax work. Since we advise on so many leading edge transactions, you will often be the lead tax advisor on a deal, working alongside colleagues of the highest calibre in the corporate, securities and banking sectors.

Also an increasing proportion of our [illegible] work is self-generated and tax-led, which means we often take the leading role and drive a transaction forward with support as required from other departments.

We have a reputation as one of the youngest and friendliest - and one of the largest and most ambitious - tax departments in the City. We also have opportunities for secondment to our corporate clients and to our overseas offices including the US and the Far East.

You might be junior and seeking quality international tax experience, or more senior and seeking a greater challenge. Either way, if you think it is time for a change we would like to talk to you.

QD TAX

For further information in complete confidence, please contact Adrian Fox, Jonathan Robin or Kate Sutcliffe on 0171 405 6062 (0171 286 1441, 0181 364 9558 or 0958 569203 evenings/weekends) or write to them at Quarry Dougall Recruitment, 37-41 Bedford Row, London WC1R 4JH. Confidential fax 0171 831 6394.

LINKLATERS

OUR VISION: »TO BE THE BEST SPORTS BRAND IN THE WORLD«

YOUR CHANCE AS VICE PRESIDENT CORPORATE SERVICES

JOB PROFILE: DIRECT REPORT TO THE CFO. MANAGE DEPARTMENT AND ENSURE SUCCESSFUL DELIVERY OF PROJECTS WITHIN DEPARTMENT. MAJOR INDIVIDUAL PROJECTS I. E. SHARE SPLIT, EMU, IMPROVEMENT OF INSURANCE FUNCTION, SUBSIDIARIES' BANKING AND TREASURY PRACTICES. FORECASTING OF GROUP TAX POSITION. MANAGE „EQUITY COMPONENT" OF ADIDAS AG'S BALANCE SHEET TOGETHER WITH CFO. ENSURE THAT HQ CORPORATE SERVICES FUNCTIONS FULLY SUPPORT ALL SUBSIDIARIES AND REGIONS.

YOUR PROFILE: EXCELLENT ACADEMIC TRACK-RECORD (MBA/UNIVERSITY DEGREE). PROJECT MANAGEMENT SKILLS. KNOWLEDGE OF GERMAN AND INTERNATIONAL BUSINESS AND FINANCE PRACTICES. EXPERIENCE IN BANKING, CAPITAL MARKETS, FOREIGN EXCHANGE/TREASURY. GENERAL TAX KNOWLEDGE. ABILITY TO MANAGE A TEAM OF DIVERSE FUNCTIONS AND SKILLS. STRONG TECHNICAL SKILLS IN TAX, CAPITAL MARKETS, INSURANCE AND KNOWLEDGE OF THE FRENCH LANGUAGE WOULD BE DISTINCT ADVANTAGES. HIGHLY PRO-ACTIVE SELF-STARTER AND INDEPENDENT WORKER. FLUENCY IN ENGLISH AND GERMAN.

PLEASE ALSO SEND US YOUR SALARY EXPECTATIONS AND FIRST POSSIBLE ENTRY DATE.

ADIDAS AG
HUMAN RESOURCES,
MR. T. JOHN
ADI-DASSLER-STRASSE 1-2
D-91074 HERZOGENAURACH, GERMANY

adidas

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Keeley Pope on 0171 873 4006

Karl Loynton on 0171 873 3694

Mark Williams 0171 873 4095

Financial Times

Recruitment Directory

The next Recruitment Directory will appear on

Thursday March 26.

If you would like details, please contact: Mark Williams Tel: 0171 873 4153 or Ben Bonney-James Tel: 0171 873 4015 email: mark.L.williams@ft.com Fax: 0171 873 4331 email: ben.bonney-james@ft.com

MARKET ANALYST/ECONOMIST – EMERGING MARKETS

Salary £35,000 plus bonus

A major US bank requires a Market Analyst/Economist to join its emerging market fixed income research team to cover European Time Zone emerging market countries. The analyst/economist will have good knowledge of the economic, political and market environments in Central and Eastern Europe, CIS states, Middle East, North Africa and Sub-Saharan Africa in general, and specifically, Turkey, Algeria, Romania Kazakstan, Egypt, Ivory Coast, Jordan and the Balkans. The successful candidate will have:

- a degree and relevant post-graduate qualifications in economics and politics;
- senior sovereign credit based analytical experience of the relevant emerging market countries;
- the ability to tie this credit knowledge to market strategy;
- excellent written and verbal communication skills, internally and with clients and experience working with the media (TV, radio and print).

Replies to: PO Box No. A6096.

STANDARD & POOR'S

RUSSIAN BANK ANALYST

Standard & Poor's is the world's leading international ratings services firm. As a result of unprecedented demand for our rating services in the emerging economies of central and eastern Europe, we are seeking a Russian bank analyst, to join our emerging market bank analysis team to focus on Russian banks.

The position involves in-depth analysis of banks and research into the Russian financial systems. Analyst responsibilities involve establishing relationships and conducting meetings with senior management of banks and regulators; and the presentation of analysis for internal ratings purposes and for external publication. The position is London-based but involves extensive travel throughout emerging Europe. An openness to relocate to Russia at some point in the future is also desired.

Suitable applicants are likely to have an excellent analytical background, ideally to an MBA level and to have several years experience in analysis, either working for a financial institution or a regulatory body. Independent and coherent thinking, combined with strong written and communication skills are essential. A high level of fluency in Russian is a prerequisite including the ability to read and write about technical financial subjects, as well as the ability to hold business discussions in Russian. We offer a competitive compensation package combined with a stimulating working environment.

Please write, enclosing a full CV, to: Catherine Jones, Human Resources Department, McGraw-Hill International (UK) Ltd, McGraw-Hill House, Shoppenhangers Road, Maidenhead, Berkshire SL6 2QL.

A Division of The McGraw-Hill Companies

Infinium Software has over $91 million in revenue and over 1,400 clients worldwide. We have the following opening:

Development Manager

You will manage the continued development of our Financial suite of products (GL/AP/AR/CB/JM), and its rules based development environment. This includes new feature enhancements, and an architectural migration of the product to Microsoft's latest technologies, such as COM, MTS and IIS. Requires a degree in computers with 7+ years' technical development experience and 5 years' management experience in a software development environment. Must have architectural infrastructure experience in an NT, C++, Corba or COM environment. Both applications development experience and tools development experience are necessary. A Master's degree is preferred.

We offer a competitive salary along with a superior benefits package, including medical, dental and vision plans, as well as 401(k), and wellness reimbursement. In addition, we offer employee stock and PC purchase programs, as well as educational assistance, paid vacation time, and a $5000 employee referral program.

Please forward your C.V. to: Maureen Harvey, Montague Place, Quayside, Chatham, Maritime, Kent ME44QU; Fax: 163-489-0248. Deadline for closing applications is 3/31/98.

An Equal Opportunity Employer.

INFINIUM SOFTWARE

EUROPEAN ACCOUNT DIRECTORS

Technimetrics

Technimetrics, Inc. is the leading provider of global shareholding and fund management data to the banking and stockbroking community worldwide. With offices in London, Tokyo, Amsterdam, Sydney, Sao Paulo and New York, we offer the most comprehensive and accurate financial data available.

To continue to meet the demands of our success, we are expanding our international operation. We now have opportunities for high calibre experienced sales professionals to join our London office, and be at the forefront of marketing our services in both the U.K. and Continental Europe.

Candidates will have a strong sales background and ideally a good understanding of capital markets. Excellent presentation and communication skills are essential. Language skills desirable.

We offer a highly attractive compensation and benefits package. For prompt, confidential consideration, send your CV with covering letter to:

Technimetrics, Inc.
110 St. Martin's Lane
London WC2N 4AZ
Ref: Personnel Dept., Inst.

OFF-SHORE ADMINISTRATOR

To qualify, you will need to have knowledge of off-shore corporate incorporations, statutory requirements, nominee services fluency in English and French, an understanding of German or Spanish and an interest in and understanding of international tax legislation could be useful. Strong powers of presentation are essential and a related university degree would be valuable. Willingness to travel regularly is indispensable as well as readiness to work along a flexible time schedule.

Starting salary will range according to experience and will reflect any additional qualifications you may have. From then on increases will be linked to your performance.

You will start your employment in a company with a real job directly responsible to one client with briefs to that client, taking part in policy making and generally *putting your knowledge of off-shore corporate* administration into practice. KPS is a small London and Geneva based consultancy company that administers client banking relationships and off-shore structures. We exist to offer our worldwide client base cost-effective and professional advice and to promote their international trade exposure on a global basis, ensuring that ethical and efficient services are provided at all times.

You will be trained and your knowledge developed to cater for our clients' needs. Also, you will represent one of our clients specifically in dealings with third parties, such as accountants and banks on an international basis.

Please send C.V. together with a recent photograph and a hand written letter giving financial expectations to KPS, 1 Hinde St., London W1M 5RH.

APPOINTMENTS WANTED

TRADING / SALES

Extensive experience in **Treasury** and **Investment** products
• Proven managerial ability •
European and Middle Eastern experience •
University degree
• Fluent in English, French and Arabic. Seeks new challenge

Tel: 9661-456 2001 ext. 2171

FT FINANCIAL TIMES

les Echos
Le Quotidien de l'Economie

The FT can help you reach additional business readers in France. Our link with the French business newspaper, Les Echos, gives you a unique recruitment advertising opportunity to capitalise on the FT's European readership and to further target the French business world.

For information on rates and further details please telephone: Karl Loynton on +44 171 873 3694

PRIVATE CLIENT PORTFOLIO MANAGER

SHAKESPEARES

SOLICITORS

Shakespeares Solicitors is a progressive law firm with a niche investment business and substantial funds under management. We are now seeking to add to our team in order to capitalise on the strong expansion which is continuing and therefore need to appoint a PRIVATE CLIENT PORTFOLIO MANAGER. The successful candidate will hold a recognised professional qualification, be computer literate, possess excellent written and oral communications skills and have experience of providing a first rate service to discerning clients. Applicants must already have qualified person status under the Law Society Regime or be capable of attaining that status within a short time scale.

Please reply in writing with full CV to:

Ms L M Goode
Recruitment Manager
Shakespeares
10 Bennetts Hill
Birmingham
B2 5RS

Closing date for applications - 31st March 1998.

INVESTMENT ANALYSTS

The firm is a London-based unit of one of the largest and most prestigious US Investment Management groups. [illegible] the major European markets. As a result of growth and expansion, we now seek to appoint two additional [illegible]

EUROPEAN INVESTMENT ANALYST

City **£Competitive + Benefits**

THE ROLE

- Primarily focusing on the French, Spanish and Italian equity markets
- Balance sheet, profit and loss, cash flow statement and financial ratio analysis
- Prepare detailed analysis of companies through the writing of summary memos on companies
- Direct involvement with the money management process through investment recommendations
- Participation in company meetings with senior management teams.

UK INVESTMENT ANALYST

City **£Competitive + Benefits**

THE ROLE

- Focus on the UK and [illegible] equity markets
- Perform industry, sector and fundamental company analysis
- Analysis of both quantitative and financial information to produce investment recommendations
- Preparation of [illegible] part of the investment decision process
- Participation in company meetings with senior management teams
- Direct involvement with day to day [illegible]

THE QUALIFICATIONS

- Graduate, with strong quantitative background and accounting skills
- At least 1 years experience performing company financial analysis in an accountancy firm [illegible] advisory company, unit trust management, stockbroker, merchant bank, commercial bank, insurance company [illegible]
- PC literacy and thorough knowledge of Microsoft Excel, Lotus and Word/Wordperfect.

Please write in confidence, enclosing a full CV and details of current [illegible]

(quoting ref: FT0154) at FSS Financial, Charlotte House, 14 Windmill Street, London [illegible]

Tel: 0171 209 1000, Fax: 0171 209 0001, E-mail: jfk@fss.co.uk, Visit our website at [illegible]

FSS FINANCIAL

CHIEF EXECUTIVE OFFICER

CHANNEL ISLANDS STOCK EXCHANGE

St Peter Port • Guernsey

Applications are being sought for the position of Chief Executive Officer of The Channel Islands Stock Exchange which is due to commence operations in the third quarter 1998.

The Chief Executive Officer will be responsible to the Chairman and the Board of Directors for the successful development and operation of this new offshore stock exchange.

At least 10 years working experience in a senior managerial capacity within the securities industry either in the operation and/or development of stock or derivatives exchanges or in a similar role within the securities department of an international bank or other international financial institution is essential. Ideally, the successful candidate should be highly motivated and accustomed to start-up situations with a proven track record in the development of one or more business activities in the financial services sector, and should possess a securities industry qualification, a professional qualification (lawyer or accountant) or an MBA.

A competitive salary (negotiable) and remuneration package, including profit sharing and pension provisions, will be offered.

Applications, in writing, together with current resume and salary details should be directed to:

The CISE Development Committee

Guernsey Financial Services Commission
Valley House, Hirzel Street, St Peter Port, Guernsey GY1 2NP
Channel Islands, U.K.

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call Karl Loynton on 0171 873 3694

Financial Times

Senior Dealer Spot Foreign Exchange

Société Générale is one of Europe's leading commercial and investment banks with an extensive international network. The opportunity has arisen for three Senior Dealer Spot Foreign Exchange positions to add to the capabilities of the existing London Branch Foreign Exchange.

The work primarily involves increasing the profits made by the Foreign Exchange product line worldwide by improving the trading synergies between Société Générale in the US and Société Générale in London. Suitable candidates will have extensive knowledge of US trading methodology and exchange practices and a high level of experience in trading in US Dollar/Swiss Franc, Sterling/Mark and US Dollars.

— With 55,000 employees worldwide, and 500 offices in 80 countries, Société Générale, international banking group, is active in every sector of banking and finance —

Successful candidates will have a minimum of six years or more financial institution experience, significant knowledge of currency arbitrage and excellent analysis skills.

We can offer exciting career prospects and an attractive remuneration package that will reflect the skills and experience of the successful candidate.

Candidates should apply in writing by Monday 30 March enclosing a cv (including details of current salary and notice period) to Robert Potter, Human Resources, Société Générale, Exchange House, Primrose Street, London EC2A 2DD.

Bond Dealer

Central Dealing Desk

London **Competitive Package**

Legal & General Investment Management Ltd, one of the UK's leading fund management houses, is seeking a bond dealer to work on its central dealing desk. The position will include assessing bond markets, keeping abreast of and disseminating appropriate market information, and providing advice on timing and trading to fund managers.

We are looking for an experienced bond trader preferably with MM, FX and/or Bond Repo trading experience and evidence of good, sustainable performance. The successful candidate is likely to be a graduate and IMC qualified with a willingness to broaden trading aptitude to other asset classes.

A competitive remuneration package, commensurate with experience, will be offered.

Please send your full details to:

Gaile Carter, Personnel Department, Legal & General Investment Management, Bucklersbury House, 3 Queen Victoria Street, London EC4N 8EL.

Legal & General INVESTMENT MANAGEMENT

Legal & General is an Equal Opportunities Employer

Recruitment Directory

The next Recruitment Directory will appear on Thursday March 26.

If you would like details, please contact:

Mark Williams
Tel: 0171 873 4153
or Ben Bonney-James
Tel: 0171 873 4015
email: mark.L.williams@ft.com
Fax: 0171 873 4331
email:ben.bonney-james@ft.com

ACCOUNTANCY APPOINTMENTS

MERGERS AND ACQUISITIONS MANAGER

HIGH PROFILE TRANSACTION ROLE WITH FTSE 100 COMPANY

NOTTINGHAM **c. £70,000 + BONUS + BENEFITS**

- The Boots Company has a turnover in excess of £4.5 billion and a strong record of creating shareholder value. Its activities include a variety of retailing activities both in the UK and overseas, and the manufacture and marketing of health and personal care products throughout the world.
- Operating across diverse and rapidly changing markets, the brief of the mergers and acquisitions team is to act as central point of contact for banks and consultants and to provide expert assistance on all acquisitions and disposals. Significant transaction activity both in UK and overseas has led to the creation of this senior role within the team.
- More specifically, you will be required to work with Business Units on acquisitions, disposals and joint ventures; and participate in non-trading negotiations as the need arises
- This high profile role, typically working at Main Board Director and Business Unit Managing Director level, requires a thorough understanding of both Group and individual Business Unit strategy and well developed interpersonal skills.
- Previous transaction experience is a pre-requisite and could have been gained in a variety of backgrounds: corporate; investment banking; legal or accountancy; venture capital.
- Candidates are likely to possess a legal or accounting qualification and must be highly literate and numerate. Strong commercial judgement, well developed negotiation skills, and the ability to inspire trust and confidence are key to ensuring success in the role.

THE BOOTS COMPANY

Please apply in writing quoting reference 1606 with full career and salary details to:
Susan Ryder
Whitehead Selection
Equity House, 1 The Bourse, Boar Lane, Leeds. LS1 5EQ
Tel: 0113 229 1500. Fax: 0113 229 1515
www.whiteheadselection.co.uk

Whitehead SELECTION
A division of Whitehead Mann Ltd,
a Whitehead Mann Group PLC company

INTERNATIONAL EXECUTIVE SEARCH

ALL EUROPEAN LOCATIONS **COMPETITIVE COMPENSATION**

TASA International is a leading international executive search firm, operating globally. Among the world's top retained executive search firms, TASA International is one of the few, fully integrated global partnerships in the profession with 32 offices worldwide, including 13 in Europe. Exceptionally strong growth, combined with internal promotions, has led to openings at Partner and Principal level across Europe for high calibre individuals looking for a career in a dynamic, professional and entrepreneurial, multi-national environment.

THE ROLE

- Partners/Principals are involved in the entire search process from client management and development through to final appointment.
- Rigorous service levels and a strong client relationship driven culture are key characteristics of our partnership.

THE PERSON

- Candidates will be graduates in their 30s/40s with a minimum of ten years' relevant experience gained in any industrial/commercial sector and/or in executive search.
- Personal qualities sought include energy/tenacity, creativity, attention to detail, outstanding communication skills and a strong team approach. Individuals will be able to demonstrate excellent business development, sales/marketing and project management experience.

Please respond to: *Michael Squires, Chief Executive, TASA International, Dufourstrasse 101, Postfach CH-8034 Zürich. Telephone: (41) 1-383 49 66. Fax: (41) 1-383 75 92. E-mail: TASA_Zurich@compuserve.com*

TASA INTERNATIONAL

AMSTERDAM • ATLANTA • BARCELONA • BOGOTA • BOSTON • BRISBANE • BRUSSELS • BUENOS AIRES
CARACAS • DALLAS • FRANKFURT • HONG KONG • JAKARTA • JOHANNESBURG • LONDON • MADRID
MELBOURNE • MEXICO CITY • MILAN • MUNICH • NEW YORK • PALO ALTO • PARIS • ROME
SANTIAGO • SAO PAULO • SARASOTA • SINGAPORE • SYDNEY • VIENNA • WELLINGTON • ZURICH

FINANCIAL CONTROLLER PRIVATE EQUITY

ACCOUNTING FOR SUCCESS at GRANVILLE

INDEPENDENT INVESTMENT BANKING
Corporate Finance
Stockbroking
Private Equity
Institutional Fund Management
Private Banking

Granville is a specialist independent investment banking group delivering an expert, creative and practical service to growth companies and to institutional and private investors. Our goal is to become the leading investment bank in our specialised markets. To achieve this, we will continue to develop our highly complementary range of businesses, building on our expertise and the quality of our staff.

We have a high calibre transactional team which is currently undergoing a period of rapid expansion with ambitious plans for the future. A growing business demands strong financial planning and management. That's why we are looking to recruit a financial controller for our private equity operations.

This high profile role will be integral to the business, not divorced from it as many financial control roles can be. We are seeking an individual who possesses commercial acumen, technical accounting skills, a strong systems capability and knowledge of the private equity markets. This must be coupled with a 'can-do' attitude, a proactive, solution focussed approach and a real ability and desire to work in a team orientated environment. Given the growth of the company, prospects are excellent and salary and benefits package will reflect the calibre of the individual sought.

If you believe you have the necessary credentials and are seeking a new challenge, please send your CV to Sarah Hunt at Michael Page City, 50 Cannon Street, London EC4N 6JJ. Fax 0171 329 3426. Alternatively you can telephone her on 0171 269 1846.

Liverpool Victoria

"Premium roles .... outstanding returns"

Bournemouth based (full relocation package)

Liverpool Victoria is a broad based financial services company which provides a full range of personal line products from life insurance, savings and mortgage products to general insurance and banking. The group employs 2600 staff at the head office in Bournemouth and has a network of 40 offices throughout the UK. Recent acquisitions of the Frizzell Group and Landmark – a large general insurance business, are integral to its growth plans. This is an exciting and challenging period for the group which has resulted in the need for two progressive financial professionals to take proactive roles in driving business change. Both roles report to the Finance Director.

Finance and Administration Manager

c £52,000 + Car + Benefits

This is a key role within the finance team with responsibility for 30 staff and the production of all financial, management and statutory accounts for the group. This function also has wider responsibilities including production of returns to relevant regulatory bodies, management of the car fleet and treasury back office. Given the extensive change within the business, many ad hoc projects have arisen which have group wide implications. The incumbent will be expected to direct, question and challenge existing methods and systems to ensure maximised efficiency of financial reporting.

Candidates will be qualified Chartered Accountants, with 5-10 years post qualification experience gained in a large financial services organisation. Experience to date will include direct financial management experience and responsibility for staff.

Business Planning Manager

c £55,000 + Car + Benefits

This is a new role which will provide high level analytical planning and project accounting to support the business development needs of the group. Principle responsibilities include:

- Control and co-ordination of the business planning and budgeting cycle, three year strategic planning plus development of the regular forecasting cycle.
- Close liaison with business leaders to ensure that business plans reflect business activities.
- Full analysis of group performance and identifying variances to plan.
- Assist the Finance Director on major ad-hoc projects.
- Management of four staff.

Candidates will be qualified accountants, either ACA or CIMA, with 5-10 years post-qualified experience. Background will include significant management accounting and financial planning experience gained in a large and change orientated environment.

These are challenging roles for business driven finance professionals. If you feel you have the ability to provide strong management in an environment of cultural change, please send your CV, quoting reference J409545 to Jonathan Ross at Michael Page Finance, 33 Blagrave Street, Reading, Berkshire RG1 1PW. Alternatively, fax 0118 956 1657 or e-mail: jonathanross@michaelpage.com

Michael Page
FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

CREDIT SUISSE | FIRST BOSTON

Vice President, Finance Administration & Operations

Kiev, Ukraine

Significant Six Figure Salary + Substantial Bonus + Expat Bens

Credit Suisse First Boston (CSFB) is a leading global corporate and investment bank, providing comprehensive financial advisory, capital raising, sales and trading and financial products for clients around the world. It operates in over 50 offices across more than 30 countries and six continents and has over 12,000 employees.

When CSFB concentrates its resources in an emerging market of great potential, the results can be impressive. Seven years ago, the leadership of CSFB concluded that the constituent areas of the Former Soviet Union were simply too large and promising to ignore.

In 1991, CSFB began deploying significant resources in the region and is the one major bank to make an early commitment and stay. Their fully licensed Russian subsidiary is now one of the ten largest Russian banks and the only foreign firm that is a primary dealer in GKOs, the Russian Treasury Bills. In 1996 and building strategically upon their phenomenal success, CSFB recognised the logic of extending their business into Ukraine's rapidly growing economy and started operations in Kiev.

Today there are over 50 staff in Kiev offering a full range of corporate and investment banking services. Together with Moscow, they provide Credit Suisse Group with a significant portion of its annual profits. The high returns in the market may reflect the risks but these are risks which CSFB's competitors have been unwilling to take. The bank's success is down to its willingness to dedicate resources and not waiver from a commitment to a market which although at times volatile, is fundamentally growing and will continue to grow.

Having placed substantial expertise and significant resources in Kiev, they now require an exceptional individual to run their operations in a high yield and a personally rewarding environment.

Effectively responsible for the running of the 50+ staff in the rapidly expanding Kiev office, this role has a close working relationship with both London and Moscow and is seen as a key strategic position to CSFB's continuing growth in the region.

With systems already in place, this role will require you to focus on the long and short term growth of the bank as well as controlling all finance, administration and operation functions to include accepting ultimate responsibility for human resources, legal and information technology. Crucially, you will represent CSFB's interests at the international bank meetings.

You will be a forward thinking and dynamic person who has a strong concept of both the controls and legal issues involved in running a bank in what is a challenging arena. You should also possess/be;

- Demonstrable success/experience in a similar role.
- Recognised accountancy qualification.
- Strong management skills.
- Adaptable and resourceful character.
- Highly credible.
- Team oriented.

To be considered for this outstanding career opportunity, please send your CV quoting reference 410169 to Jonathan Stokes at Michael Page Eastern Europe, Page House, 39-41 Parker Street, London WC2B 5LN, UK. Telephone +44 (0) 171 831 2000. Alternatively fax on +44 (0)171 831 3440 or e-mail: jonathanstokes@michaelpage.com

Michael Page
EASTERN EUROPE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

APV

APV is an international company involved in process engineering and component manufacture and distribution principally serving the food, beverage, dairy and pharmaceutical industries. APV is part of Siebe, one of the UK's largest diversified engineering company, employing over 50,000 people in over 200 companies around the world. APV is undertaking a major programme of change which will increase the importance of the finance function to the business, both in terms of information demands and input into the planning and decision making process. In line with these developments, APV have identified the requirement for a Divisional Finance Director and a Group Business Planning Analyst.

APV Limited
A Siebe Group Company

Finance Director – APV Europe Manufacturing Business

West Sussex **c £55-60,000 + Car + Bonus**

Reporting into the Vice President - Europe Manufacturing, with a functional reporting line to APV's European Finance Director, the role will encompass both the operational and strategic management of the European Manufacturing business in the UK, Denmark and Germany and functional responsibility for local Finance Directors/Controllers.

Key responsibilities will also include:

- The financial management and control of the European manufacturing business.
- Supporting the ongoing change management and restructuring programme.
- Developing close working relationships with management teams, in particular the local Finance Directors/Controllers
- Providing a commercial focus whilst maintaining financial control and probity.
- Participation in MIS enhancement, particularly the planned SAP implementation.

In addition to possessing high levels of motivation and a proactive participative attitude, suitable candidates will be qualified accountants, who have progressive careers to date with experience preferably gained within a European manufacturing environment.

Ref 392271

Group Business Planning Analyst

West Sussex **c £50,000 + Car + Benefits**

Reporting into APV's Chief Financial Officer, this is a new position which has resulted from the increased business focus attributable to the finance function.

Objective in thought process, the Group Business and Planning Analyst's role will include both financial and commercial input and responsibility.

Key responsibilities will also include:

- Undertaking commercial analysis of potential acquisitions and disposals in accordance with APV's strategy.
- Establish guidelines and review strategic project proposals, across all APV businesses.
- Determining global transfer pricing policy, in conjunction with local Managing Directors.
- Undertaking strategically focused projects as part of the change management programme.

This is a very high profile role and suitable candidates must possess the necessary gravitas and credibility to perform in a demanding and 'hands-on' environment. In addition, candidates will be qualified accountants, who possess high levels of business acumen and the ability to progress to a Finance Director role and have experience of working in manufacturing environments.

Ref 410081

If you have the required skills and attitude, please send a current CV, including current remuneration, quoting appropriate reference number to Alistair Robinson at Michael Page Finance, Cygnet House, 45-47 High Street, Leatherhead, Surrey KT22 8AG. Fax 01372 370101 e-mail: alistairrobinson@michaelpage.com

Michael Page
FINANCE

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

BOOKHAM
technology

CHIEF FINANCIAL OFFICER

Fast growth high technology company – NASDAQ IPO within 12 months

Excellent Package including substantial stock options **Oxfordshire**

The explosive demand for on-line services to the home, such as the Internet and video on demand, has increased the need for deployment of cost-effective fibre-optic telecommunication systems. Bookham Technology has developed a unique low-cost process, known as ASOC™, for manufacturing optical components that will enable optical fibre to reach every home. With global intellectual property ownership for ASOC™ technology, proven designs and volume production established, Bookham Technology are now looking for an experienced CFO to contribute to the strategic success of the business and lead their imminent flotation on NASDAQ.

The Opportunity

- Manage Bookham Technology through the NASDAQ IPO process
- Present the company and the market opportunity to the investment community; represent the company to investors and analysts
- Work with a highly experienced international Senior Management Team to shape business strategy post-IPO
- Ensure optimal financial management of the business to maximise the potential growth and return on investment

The Requirement

- Must have experience of flotation, preferably on NASDAQ
- Must have appreciation of technology-related production environment
- Excellent track record of financial management and business leadership
- Personal credibility with the technology stock investment community, either in the UK or USA
- Willingness to live in Oxford area while travelling extensively

If you can see the potential of this exciting opportunity and wish to share in Bookham's future, please write to our retained consultant, David Myers at Daniel Stuart Executive Search, Richmond House, Bath Road, Newbury, Berks RG14 1QY, quoting reference 983/FT. Please enclose a full CV with current salary details. Alternatively send by fax to 07070 714748 or email: david.myers@exdec.demon.co.uk

---

European Finance Manager

PROJECT & CHANGE MANAGEMENT

£45,000 + Bonus + Benefits **London**

SOTHEBY'S

Sotheby's is one of the world's leading art organisations, with representative offices globally. With auction sales of $1.8 billion for 1997 and net income of $40 million, the organisation is enjoying a period of sustained growth, particularly in Europe, and is supported by a sophisticated finance infrastructure. They are now seeking a European Finance Manager who will report to the European Financial Controller and whose responsibilities will include:

- Managing the changes in the reporting processes as SAP is implemented worldwide in 1998/9, forging close links with the Corporate team in New York, the continental European Finance Managers and UK chief accountant.
- The accounting, reporting and financial and business analysis for the European Group.
- Providing advice, best practice and value added to the European operations and providing support to Operations Management.
- Providing initiative and control in managing a diverse, complex and high volume business.
- Managing a team of 4.

Candidates will be graduate, qualified accountants with 5 years PQE gained in a multi-cultural US GAAP reporting environment. They will display high technical and analytical capabilities and strong systems expertise (preferably Hyperion and SAP). Management and interpersonal skills will be commensurate with a position of this importance and as indeed will be candidates commercial acumen, credibility and initiative. French and/or German fluency would be advantageous.

To apply please send your CV with a covering letter, including daytime telephone number and current salary details, to Harvey Nash plc, 13 Bruton Street, London W1X 7AH. Tel: 0171 333 0033. Fax: 0171 333 0032. Please quote reference number HNFE04FT. You may also apply via http://hnpe.com. Harvey Nash

http://hnpe.com

HARVEY NASH
FINANCE

AIR PRODUCTS

AN EXCEPTIONAL ENVIRONMENT FOR OUTSTANDING PERFORMERS

ACAs/MBAs/CIMAs — SW London/Hampshire — Excellent package, benefits and relocation

"A great company needs to have a set of values that drive every phase of its operations with passion and commitment. How we do things is often as important as what we do. We will continue to demand a great deal of ourselves and each other ..." H A Wagner, Chairman, President and CEO

Integrating complex technology with operational excellence, Air Products' record of consistently superior financial performance is exceptional. Annual sales in 1997 reached $4.8 billion, with an increased quarterly dividend for the 15th consecutive year. A world-wide market leader, Air Products technologies touch every part of daily life, serving a range of industries from healthcare to chemicals, aerospace to food production, environmental protection to micro-electronics. Europe has been an important part of the companies growth and through a series of strategic acquisitions and the expansion of its product range, now accounts for $1.2 billion of the global business.

As an employer, Air Products' commitment to its core values has established a culture in which its 16,000 employees in over 30 countries world-wide feel challenged and valued. Building its market-leading position through business strength and flawless execution, the company recognises and rewards individual and team success, providing continuous training, variety and opportunity.

In the finance function, low staff turnover is further evidence of the company's successful commitment to developing the talents of its employees. However, organic growth, acquisitions and a range of internal promotions have created a number of outstanding openings. Air Products is currently seeking individuals with excellent finance skills and the talent and ambition to add value in this dynamic environment. Offering an opportunity to work across functional, operational and country boundaries, a number of roles exist in the following areas:

- Acquisitions
- Treasury
- Business Analysis
- Management Accounting
- European Audit

Candidates for these positions could come from a range of backgrounds, from newly-qualified ACAs/CIMAs to individuals with up to a total of six years' finance experience, a recognised accounting qualification, relevant business degree or European equivalent. A number of the roles offer opportunities for European travel - language skills will therefore be an advantage. In every case, excellent communication ability, strong team skills and an international outlook are important: successful candidates will be able to develop their career in the UK, Europe or world-wide.

If you would like to find out more about finance careers within Air Products, please fax or send your CV to the address below quoting ref:253. For more information, call us on (+44) 171 242 9191 (weekdays) or (+44) 0966 119056 or (+44) 1580 713683 (evenings and weekends).

Please note any applications sent direct to Air Products will be forwarded to Alderwick Consulting Ltd.

ALDERWICK CONSULTING

SEARCH & SELECTION

95 FETTER LANE, LONDON EC4A 1EP. TELEPHONE: (+44) 171-242 9191 FAX: (+44) 171-242 3560

Strategic Financial Planning

Global Investment Bank

London ***to £80,000 + bonus***

One of the world's premier, fully integrated, corporate and investment banking firms, our client offers a comprehensive range of corporate advisory, capital raising and sales and trading services. The bank is a market leader in all major markets and London is a centre for many of its global activities.

Following the restructuring of the Global Finance Function, there is now a requirement to expand the role of the Financial Planning Department, the objective being to pursue industry wide best practice. The core activities of this team will be to:

- Manage the annual business planning cycle.
- Provide ongoing analytical planning and budgetary information to senior management.
- Co-ordinate the annual global budget process.
- Establish and maintain an appropriate framework of processes and systems to support all of the above.

In addition, the team will be constantly developing and evolving the firm's budgeting process to ensure it is fully integrated with, and complementary to, the Strategic Planning and Business Planning processes globally. In order to guarantee the process will provide the best possible information to take the business forward, the team will communicate and liaise with all divisions and regions. The aim is to have complete understanding of the financial implications of organisational change & development.

Senior Planning Manager

- Senior Finance Professional, preferably ACMA, ACA or MBA with broad ranging, high level commercial experience, aged up to 35 years.
- Experienced in the development, implementation and review of budgeting, planning, forecasting and project management.
- Skilled in board reporting, operational review, systems development and implementation.
- Outstanding interpersonal skills, together with excellent communication and presentation skills, an ability to influence at all levels and the flexibility to adapt to new cultures.
- The capacity to take on the leadership of a high profile team.

Financial Planning Analyst

- A Finance Professional, preferably ACA or ACMA.
- Experienced in high level financial analysis including trend and variance analyses.
- Budgeting, planning and forecasting experience.
- Investment appraisal, financial modelling and strong systems knowledge are preferable.
- The ability to develop and implement specific projects.
- Confident and ambitious, with excellent communication skills.

If you would like to find out more about these career opportunities, please send your curriculum vitae with a covering letter to Nicola Skentelbery at Martin Ward Anderson, 7 Savoy Court, Strand, London WC2R 0EL or by fax on 0171 240 8818 quoting reference 55889. E-mail: info@mwa.co.uk. Alternatively telephone her on 0171 240 2233.

MWA MARTIN·WARD ·ANDERSON·

LONDON · WINDSOR · ST ALBANS · SOUTHAMPTON ·

Manager - EMEA
Based London
Package to £100k

Director - EMEA
Based London
Package to £150k

PepsiCo is one of the world's most successful consumer products companies. With a turnover in excess of $20 billion, the corporation is an international leader in beverages, and the world's largest producer of salty snack foods. Recently refocused on its food and drinks businesses, the company continues to aggressively expand through a mixture of organic growth and acquisition.

A WORLD OF OPPORTUNITIES

Exceptional strategic opportunities with a world class consumer goods company

Treasury/Corporate Finance

Recent internal reorganisation has created the need for two exceptional individuals to join the International Corporate Finance department, based in London. The roles cover the Europe, Middle East and Africa region and will appeal to highly commercial ACAs, MBAs or financially orientated generalists.

Working within a high calibre professional function, the successful candidates will be responsible for managing the financing of a number of PepsiCo's international operations. Specifically this will include:

- Working closely with operational management and area CEOs/FDs on major acquisition and funding strategies
- Constantly interacting with group Tax, Legal and Accounting functions in addition to external banks/advisors
- Evaluating, developing and funding major internal investments
- Strategically reviewing country operations and recommending structural changes where necessary
- Working closely with divisions to increase profitability through improved efficiency in financial transactions

For the Manager role, you will need at least 3-4 years' relevant experience in a major multinational corporation, with previous exposure to complex treasury functions. Probably aged between 28 and 35, you will have strong leadership and communication skills, as well as the ability to manage high-calibre cross functional teams on significant international projects.

At Director level, you will need to demonstrate all the above characteristics, with a detailed technical knowledge of blue chip treasury functions, and ideally experience of emerging markets. Probably aged 32-40, you will need the ability to build credibility at board level, and lead highly experienced teams.

For both positions, the rewards include an exceptional benefits package comprising attractive basic salary, high bonus, company car allowance, and generous share option scheme. Significant travel is a feature for both roles, as is the opportunity to develop a 'fast track' career in a highly meritocratic environment.

Interested applicants should write, enclosing a brief résumé quoting reference BH4181, to our retained consultants, Brian Hamill or Robert Walker at Walker Hamill Executive Selection, 103-105 Jermyn Street, London SW1Y 6EE. Tel: 0171 839 4444. Fax: 0171 839 5857. Any applications made direct to PepsiCo will be forwarded to Walker Hamill.

PEPSI WALKERS Frito Lay

PEPSICO

American worldwide manufacturer is recruiting for its European Shared Services Centre ($1 billion):

Manager Accounts Receivable

Paris **Attractive Package**

- Reform the organisation around the new model of dealer invoicing and settlement processes.
- Maintain appropriate controls on the largest revenue stream in the company.
- Control the integrity of dealer invoices, statement and cash applications of all European dealers.
- Lead and motivate 15 employees on the accounts receivable team, to deliver financial statements to tight deadlines.

Ref JML19337

Manager Accounts Payable

Paris **Attractive Package**

- Heavy involvement with implementation of new core financial systems to improve controls and discipline.
- Provide a full service disbursement for all sites in Europe to include proper accounting records, resolution of inquiries from vendors, plant and corporate personnel.
- Manage and develop a team of 35 members.

Ref JML19336

For these two positions, candidates should be qualified accountants, with 5-10 years experience with a major group, operating on all international basis. They must possess excellent leadership abilities. Experience of software implementation would be a further advantage.

If you are interested, please send a curriculum vitae to Jean-Marie Lagalliardie, Michael Page Finance, 159 avenue Achille Peretti 92522 Neuilly-sur-Seine cedex, France. http://www.mpfrance.com

Michael Page
INTERNATIONAL

Australia - China - France - Germany - Hong Kong - Italy - Netherlands - New Zealand - Singapore - Spain - UK - USA

Head of Finance and Administration

CENTRAL LONDON **TO £50K + EXECUTIVE BENEFITS**

Our client is an established and progressive trade association with revenues in excess of £3 million, and represents a dynamic and successful industry.

Due to an internal reorganisation, a new post of Head of Finance and Administration has been created. Reporting to the Chief Executive and working closely with the senior management team, you will be expected to be able to contribute at a strategic level as well as being accountable for the management of all day to day "back office" operations. The post is wide and varied and will require you to be both flexible and proactive. You will be directly responsible for providing the management board with financial advice and reporting as well as ensuring overall efficiency and effectiveness of all administration and IT.

You will be of graduate level and hold a professional business qualification. It is essential that you have had at least 5 years' experience of holding a senior finance and administrative management role ideally within a service based organisation. You will be computer literate, and have the technical experience of producing meaningful and commercial management information. You will exhibit excellent interpersonal and management skills, with the ability to communicate fluently at all levels both orally and in writing.

If you can demonstrate a professional and "hands on" approach to managing a small team and are committed to a "support service" ethic, then please write enclosing full personal and career details to: Suzanne Dobinson, Management Consultancy Division, Robson Rhodes, 186 City Road, London EC1V 2NU.

INVESTOR IN PEOPLE

ROBSON RHODES

RSM International

PROJECT FINANCIAL MANAGER

PHARMACEUTICALS

EXCELLENT PACKAGE — **EAST MIDLANDS**

Our client is Astra, one of the most successful research-based pharmaceutical companies in the world. The past decade has been a period of rapid growth for the company and significantly they have made a massive investment in their research and development capability.

In the UK the R&D activity is based at Astra Charnwood, a division of Astra Pharmaceuticals Ltd, where over 1000 people are employed on a 50 acre purpose built science park.

Major investment has led to an increase in the number of scientific projects at various stages in the costly development phases, and Astra Charnwood now require a high calibre Financial Manager who will provide the project teams and site management with financial support and advice.

Reporting to the VP Finance, you will be responsible for information systems that facilitate the effective management of expenditure and resources across all projects in the pipeline. Key tasks will include the timely production of financial information, budgeting, forecasting, expenditure control and systems development. In addition you will work closely with the Project Directors focusing attention on costs and deployment of resources, assisting them to manage the complex finances as well as scientific activities in what are major expenditure programmes.

You should be a qualified Accountant with a degree, preferably in science or technology, and five years plus post-qualification experience ideally gained in an R&D or project environment. Applicants from the pharmaceutical industry with an understanding of drug discovery and development, would be preferred. Equally important will be your style and personality. As well as sound technical skills we are looking for a confident and persuasive individual who will gain credibility and influence with the scientists, so good communication and interpersonal skills combined with a diplomatic approach are also important.

This is a key and highly visible role with a major pharmaceutical multinational offering exceptional long term career prospects for the right candidate.

If you are interested in this position please telephone *Stuart Adamson FCA or Phillip Johns on 0113 245 1212*, or send your CV in confidence quoting your current remuneration and reference number 5090 to us at Adamson & Partners, 10 Lisbon Square, Leeds, LS1 4LY. Fax number 0113 245 0802.

E-mail stuartadamson@adamsons.com

ADAMSON & PARTNERS

INTERNATIONAL EXECUTIVE SEARCH & SELECTION

FINANCE DIRECTOR

Commercial Role/International Joint Venture

South East Asia — **Substantial package + full expatriate benefits**

Our client is a highly profitable UK-based substantial PLC with an annual turnover in excess of £1.0 billion employing over 10,000 staff. The company has had considerable success in developing its international operations in numerous countries world-wide. It is one of the leading players in its sector.

Our client has a majority shareholding in a very significant South East Asian joint venture which has 1300 staff, a capital expenditure programme of over £100 million during the next five years, and a rapidly expanding customer base.

A highly commercial Finance Director is required to provide commercial support on a wide range of business issues in the joint venture. Reporting to the MD, and in charge of over 100 staff initially, he/she should have the potential to take on a full general management role within the next 18 months. Outstanding career development opportunities exist for this individual, either at Group level in the UK or internationally. An excellent contract is offered with a first class expatriate package (including high quality housing/travel allowances, car, schooling etc.).

The Role

- Developing a commercial and business strategy to expand the company's customer base, secure revenues from existing customers and deliver a good return on investment.
- Developing, managing and delivering a new customer billing and collection system dealing with over 250,000 accounts per month.
- Ensuring that appropriate systems are in place in the joint venture to achieve performance targets and conform to corporate reporting systems and requirements.
- Monitoring financial management procedures in the joint venture and managing the capital expenditure programme effectively.
- Contributing to the negotiation of the contract and adding value on commercial issues within the joint venture.
- Ensuring that senior members of the joint venture are working effectively as a team.

The Requirements

- Probably aged between 40 and 50.
- Around 10 years' experience in a senior commercial/financial role, possibly working as a General Manager now having come up the finance route. Ideally with experience in an engineering-oriented service sector or utility. An accountancy qualification would be an advantage.
- Working currently in a company or division of at least £100 million turnover with 500+ staff and a large customer base.
- Experience of managing a team of at least 30 staff.
- Highly advantageous to have lived and worked in a developing country.
- Must have contributed to business strategy and planning, beyond a functional finance role, with strategic planning and implementation experience.
- Experience in managing financial reporting systems and implementing business critical IT systems dealing with large volumes of data.
- Useful to have had some business development and negotiation experience.
- Strong leadership and team building skills. Persistent. Determined. Culturally aware.

Please write in confidence with full CV, covering letter and salary details to Mr. R. Mitchell, Partner, The Perseus Partnership, Parallel House, 32 London Road, Guildford, Surrey GU1 2AB, UK. Fax: +44 (0)1483 894695. Closing date for applications: Monday, 20th April.

THE PERSEUS PARTNERSHIP

EXECUTIVE RECRUITMENT CONSULTANTS

BARCLAYS PRIVATE BANKING

Proactive Compliance Specialist

London — *£competitive*

Barclays Private Banking is a rapidly expanding global business with US$30 billion in assets under management and representation in 24 locations. The Bank supports an international client base through providing discretionary investment management, execution and custody, trust, tax, advisory and banking services.

This new senior role will oversee all compliance matters relating to private banking investment products and services world wide. The position's global remit reflects the Bank's commitment to the origination of new investment products and services attractive to wealthy investors and the provision of technical support across the network.

Intellectually able, the appointee will relish contributing to new product development. To be effective, candidates should have experience of fund management, derivatives and structured products within an international context. Currently working for a regulatory body, investment bank, fund manager or private bank, the post holder will require a knowledge of the regulatory environment relating to individual investors and their related entities.

If you have the appropriate skills and the potential for further development, please send your CV to Susan Milford or Gemma Jenkin at Ernst & Young Search & Selection, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, or fax 0171 931 1022 or e-mail: smilford@cc.ernsty.co.uk quoting ref SM213. Alternatively contact either consultant on 0171 931 2967.

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

Keeley Pope on 0171 873 4006

Karl Loynton on 0171 873 3694

Mark Williams 0171 873 4095

Financial Times

CAPITAL MARKET DEVELOPMENT PROJECT

The Russian Federal Commission for Securities Markets (FCSM) has received a loan from the International Bank for Reconstruction and Development for a Capital Market Development project and intends to apply part of the proceeds of this loan for consultancy services. The objectives of the project are to: (i) develop a comprehensive policy and legal framework for capital market development in the Russian Federation, (ii) strengthen institutional capacity of the Federal Commission for regulation of the securities market, and (iii) improve the efficiency, transparency and stability of market architecture (trading, clearance, settlement, and registration).

The Center for Capital Market Development (CCMD) - the project implementing agency for the FCSM is seeking expressions of interest from qualified and experienced individuals for four Program Coordinator positions and eight Technical Advisor positions for its Moscow-based operations. The Program Coordinators will lead the project implementation efforts in their respective area supported by the Technical Advisors. In addition to the specific requirements of each position, successful candidates should have senior level program coordination, management and communication skills, and be computer literate. Fluency in English and competent knowledge of Russian would be an additional preferred asset.

Program Coordinator for Institutionalization

In addition to a high level degree in the relevant field of management, economics, engineering, organizational psychology, specific experience, preferably in transition economies, in coordinating a team of professionals in capacity building, including institutional development, information systems development and training, will be required.

Program Coordinator for Regulatory Infrastructure Projects

In addition to a higher level degree in the relevant field of finance, securities law or economics, specific experience, preferably in transition economics, in coordinating a team of professionals in (i) developing securities market infrastructure entities like market monitoring, SROs and centralized depository, clearing and settlements system, standardizing licensing procedures, and training programs for market participants; and (ii) reviewing and developing new issue prospectus and ongoing financial and corporate disclosure and reporting standards, and establishing a database of all such disclosure statements, will be required.

Program Coordinator for Enforcement and Licensing

In addition to a higher level degree in the relevant field of securities law, specific experience, preferably in transition economics, in coordinating a team of professionals in developing legislation to strengthen regulations and operating procedures in the area of enforcement and licensing in the securities market, will be required.

Program Coordinator for Accounting, Auditing, and Taxation

In addition to a higher level degree in the relevant field of accounting, auditing and taxation, specific experience, preferably in transition economies, in coordinating a team of professionals in reviewing and developing legislation and procedural framework necessary for Russian entities to be able to move to International Accounting Standards, program for certification of accountants in IAS, introduction of International Auditing Standards, and the relevant capital market related taxation issues.

The Program Coordinators will be supported by similarly qualified Technical Advisors for the following areas:

1. Legal Issues related to capital markets (2 vacancies)
2. Training of Regulators
3. Communications and Public Affairs
4. Clearing and Settlement
5. Strengthening of Self Regulatory Organizations
6. Corporate Information Disclosure
7. Enforcement

Duration of the above engagements will vary, but in most cases will be about three years, beginning ideally in May-June 1998. Consultants who are interested in obtaining more information on this recruitment can do so by contacting CCMD staff at:

PHONE: (7-095) 298-5353 FAX: (7-095) 298-5807 EMAIL: mparastaeva@lrp.glasnet.ru

Candidates interested in applying for a position should write to the CCMD, specifying the particular assignment for which they are qualified, and include a Curriculum Vitae explaining their education and experience related to the position, salary history, expected fees, and at least three references who are familiar with their work within the field. Expressions of interest with accompanying materials should be submitted in sealed envelopes stating "Advertisement for Expressions of Interest - CMDP" on the outside. Your letter must be received at the following address no later than April 30, 1998 to be eligible for consideration:

Center for Capital Market Development
109028 Moscow, Russia
Yauzsky Boulevard, 10
Attn.: Maria Parastaeva, Procurement Officer

Please note: Following the closing dates indicated above, you are requested to refrain from personal or telephone contact with the Center for Capital Market Development. Expressions of interest will be reviewed and evaluated, and, if their qualifications are adequate, the highest rated applicants may be invited for interviews.

Expanding Global Mobile Telecommunications Organisation

Group Reporting Accountant

£Excellent + bonus + benefits

At ICO Global Communications we're taking mobile communications technology to a new level. Our system will bridge the incompatibility and coverage gaps of the world, at the touch of a button, using 10 state of the art satellites to link people anytime, anywhere on the planet. Our project has so much potential that it has already been backed by 59 leading telecoms and technology companies in 51 markets, who have to date committed to invest over $2 billion in our project.

With regional offices already established throughout the world, we are seeking a top flight accountant (ACA, CPA, 5+ years PQE) with plenty of international experience in a multinational organisation.

You will also have a detailed working knowledge of US GAAP and listed company regulations.

This is a key post that will involve:

- Developing group financial accounting and reporting systems
- Establishing global financial requirements, priorities and deadlines
- Preparation of statutory financial statements for subsidiaries and the group
- Overseeing compliance with statutory regulations throughout the world
- Maintenance of loan and inter company books according to company structure

The challenges in this role are unique and diverse, and will appeal to an ambitious talented finance professional looking to further a career with a truly global company.

Please send your full CV and current salary details quoting reference no JJ005/FT to: The Resourcing Centre, ICO Global Communications, 1 Queen Caroline Street, Hammersmith, London W6 9BN; fax: 0181 600 0660, email: recruit@ico.com, visit us on the internet at http://www.ico.com

ICO

INTERNATIONAL CORPORATE AUDIT

ACA/CIMA/MBA — **£30-35k + benefits + fx car**

GKN is a global industrial company with annual sales of more than £3 billion and operations in around 40 countries. Its highly successful market-leading businesses include GKN Automotive, supplying driveline units for many of the world's front-wheel drive cars, Westland Helicopters - whose order book currently stands at £3.8 billion - and a major international logistics operation. Profits in 1997 rose 12% to £406 million and the company is committed to an ambitious growth strategy.

Covering every aspect of the company's global operations, the Corporate Audit team plays a crucial role in this high-growth environment. A key entry-point to a financial management career within the group, the team's brief is to identify areas of potential risk and opportunities to add real value. Looking at a variety of operational and financial issues, assignments range from overall improvement of operational controls, through analysis of product costings and margins, to treasury, transactions and inventory management.

Candidates should have 3-5 years' experience in the finance function of a major international organisation or a professional firm and a recognised finance qualification. Excellent communication skills are essential, with the confidence to work effectively with colleagues worldwide. Fluency in English and a working knowledge of a second language - ideally Spanish or Italian - is also important.

Based at GKN's Head Office in the West Midlands, auditors travel extensively, developing detailed business knowledge which enables them to move into a line management role after around two years in the team. Future opportunities for career development are excellent: former auditors occupy a number of senior management positions within GKN.

To apply, please post or fax your CV, including salary details and quoting ref: 252, to Alderwick Consulting at the address below. Fax (+44) 171 242 3560. For more information, telephone (+44) 171 242 9191 (weekdays), (+44) 966 119056 or (+44) 1480 477437 (evenings and weekends).

ALDERWICK CONSULTING

SEARCH & SELECTION

95 FETTER LANE, LONDON EC4A 1EP. TELEPHONE: (+44) 171-242 9191 FAX: (+44) 171-242 3560

Finance Director

Manufacturing

Salary c£50K + Bonus + Benefits — **Glasgow area**

Our client is a £26M turnover subsidiary of a £200M division within a large manufacturing group. This highly successful subsidiary has played a major role in enabling the division to achieve a 400% increase in profit over the last three years. The long term future will be equally successful due to a £100M divisional investment which commenced in 1996.

The Company

- Following a £13M investment the company now exports 40% of its products
- A stand-alone company, part of a dynamic group
- Committed to ISO9002 and TQM
- Highly focused management team
- 24-hour production

The Role

- Profit and loss responsibility for £26M company
- Empowered to impact upon every area of the business
- Leading the finance team
- Reporting directly to the Managing Director
- Would suit someone who sees their future career in general management

The Person

- Currently an FD or equivalent with a minimum of three years' experience in manufacturing
- Fully qualified with outstanding commercial acumen and good IT skills
- A hands-on manager who enjoys being highly visible
- Outstanding communication and leadership
- An independent thinker with high energy levels

In return for your commitment and expertise our client is able to offer an outstanding remuneration and benefits package including company car, bonus scheme, executive healthcare and pension scheme.

To apply for this position please write or e-mail with CV showing current salary to: Jane Petty, Hanover Resources, 1 Hanover Court, Adstock, Bucks MK18 2JW E-mail: han_res@compuserve.com

Hanover Resources

Human Resources Consultancy

PIRTEK
hoses & assemblies

GROUP FINANCIAL CONTROLLER

c£40,000 + car

Pirtek (Europe) Ltd., is the holding company of a group of five trading subsidiaries based in the UK, Germany, France and The Netherlands. Originating in Australia, the European company has expanded rapidly over the last 10 years and has ambitious plans to develop throughout Continental Europe. The business is involved in providing a hose replacement service to a wide range of industrial users through franchised depots. It was awarded The British Franchise of the Year Award in 1997.

The Company now is looking to appoint a young qualified accountant to the new position of Group Financial Controller. He/She should have experience of consolidating groups of European company results and dealing with foreign exchange transactions.

Responsibilities will include the preparation of budgets, annual accounts, production of monthly consolidated management accounts from the records of subsidiaries of various sizes and levels of accounting sophistication. Cashflow forecasting and control is a key element of the job. There will be the need to introduce new systems to cope with the Group's expansion plans and some European travel will be involved.

Please send a full C.V. with details of current remuneration package to:

The Group Financial Director
PIRTEK (EUROPE) LTD
36 Acton Park Estate, The Vale, Acton, London W3 7QE

european finance professionals

frankfurt area, germany

DM 90-120,000+ bonus & benefits

GMAC

GMAC, the financial services and leasing subsidiary of General Motors, is one of the largest and most successful financial institutions in the world. It operates in 31 countries outside the US, 18 countries in Europe and has a balance sheet of over $100 billion. A global industry leader, it has aggressive international expansion plans, central to which is the development of a European Financial Reporting function in the Frankfurt area. We are looking for flexible, mobile professionals to join this team. Opportunities for career progression exist in both finance and systems throughout the world-wide operations.

Financial Reporting Analyst

Key responsibilities: Financial Support for 18 European Countries, US GAAP consolidations, European bank reporting, statutory reporting for European entities, training European staff.

Skills needed: Accounting/Finance degree or professional qualification, technical accounting knowledge (IAS/GAAP), European reporting experience, PC spreadsheet literacy, business standard English. Ref:0708

IT Reporting Specialists

Key responsibilities: After an initial training period in SAP/R3 you will join the implementation team travelling circa 80% to European locations (weekend travel not required) and help train local staff.

Skills needed: Good knowledge of accounting, strong IT skills and desire to travel. Ref:0795

German language not required for either role.

We are also seeking international auditors and tax professionals with 3-5 years public practice accounting or commercial experience for the UK and Europe.

Please fax CV quoting reference to Farn Williams, Vineyard House, 13-15 Vine Hill, London EC1R 5FW Fax: (44) 171 837 0001 Tel: (44) 171 309 0300
Any CV's sent directly to GMAC will be forwarded to Farn Williams.

FARN WILLIAMS • FINANCIAL & EXECUTIVE SEARCH • Web site: www.farnwilliams.co.uk Email: farnwilliams@dial.pipex.com

GROUP FINANCIAL CONTROLLER

London

c. £40-45,000

Carlson

Carlson Marketing Group is recognised as one of the world's largest and longest established providers of marketing services.

In Europe, Carlson Marketing Group is represented through wholly owned subsidiaries and licensed partners in 14 cities, giving coverage of 16 primary European markets.

With annual turnover in the UK in excess of £50 million, Carlson has grown organically and by acquisition and now employs over 400 people spread across 4 locations. The principal activity of the company is the provision of direct marketing, sales promotion, design services and customer loyalty programmes. Carlson is unique in its ability to provide its clients with every loyalty service in-house from front and creative communication to back end operational fulfilment.

The company now has a requirement for a key recruit to join as the Group Financial Controller.

Your remit will be to move the finance department "up a gear" and provide support to the Finance Director and the Managing Directors at each location.

Responsibilities include:
- Budget/target setting;
- Forecasting and financial/ variance analysis;
- Assistance with acquisitions;
- Analysis, interpretation and explanation of financial information;
- Presenting at monthly Directors meetings;
- Pricing of all new business/setting of fee levels;
- Cost control/business efficiencies.

Candidate Profile:
This is a highly visible role within a fast moving environment which will require a Qualified Accountant with 2/4 years' post qualifying experience.

The key to your success will be your ability to cultivate strong working relationships within the Finance Team and Senior Management throughout the Group. In addition you must have first class people management and interpersonal skills.

This newly created role represents an exciting opportunity to join a dynamic agency where you can make an impact and be part of the future success and growth of the business.

Please forward your CV, including your current remuneration details, to our retained consultant Tristan Ramus at Harrison Willis, Cardinal House, 39/40 Albemarle Street, London W1X 4ND. Alternatively contact him on 0171 344 5163. Fax: 0171 493 6107. E-mail: tristan.ramus@hwgroup.com Internet: www.hwgroup.com

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS

HW GROUP
HARRISON WILLIS
A BRAND OF THE HW GROUP

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • GUILDFORD • LEEDS • LONDON
MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

FINANCIAL CONTROLLER

£30,000 - £35,000 **Epsom, Surrey**

Our client, a multi-million turnover toy and music company requires an experienced, commercially astute, professional to lead its financial management.

You will assume full responsibility for overall financial matters, UK and foreign treasury control, management reporting and analysis. Successful performance will create a platform for you to absorb the additional responsibilities associated with managing the finances of a fast moving, highly competitive, international business.

You will be a qualified accountant, with well-developed systems and hands on skills. Personal attributes will include good communication and team playing skills plus a level of drive and determination to be effective in a demanding environment.

MORGAN CONNECT LIMITED
BUSINESS DEVELOPMENT SPECIALISTS

To apply, please write with a full CV and details of current salary to:
Julie Allen, Morgan Connect Limited, 82 St John Street, London EC1M 4JN

TELEWEST COMMUNICATIONS

HEAD OF FINANCE

NORTH WEST FRANCHISE

Preston

c. £65,000 + Car, Bonus, Benefits

Telewest Communications plc is the UK's leading provider of cable telephone and television services, employing over 5,000 people throughout the country, with an innovative and expanding £90m turnover franchise in the North West. This franchise now seeks a Head of Finance whose commercial instinct and awareness will be central to the achievement of the superb opportunities which exist in consumer and business communications.

ROLE

Take full board responsibility for finance, together with facilities and materials management, leading a large team to the highest standards of performance. Proactively influence profit enhancing change throughout this customer focused business. Develop financial controls and reporting systems to support business growth.

QUALIFICATIONS

Qualified accountant, probably aged 30 to 40. Proven track record of achievement and impact in a growing service or retail environment. Excellent communicator, able to influence at all levels of the organisation. Pragmatic, combining strategic vision with a "hands on" attitude. Innovative, motivational, agent of change.

Please send full Curriculum Vitae to Robinson Keane, Denzell House, Dunham Road, Bowdon, Cheshire, WA14 4QE quoting Reference RK 1904. Telephone 0161 929 9105

Robinson Keane
SEARCH & SELECTION

FINANCE DIRECTOR (DESIGNATE)

Rural West Midlands

c. £40,000 + Car

"An exceptional greenfield opportunity for a self-starter to influence the commerical direction of this major FMCG business."

A £multi-billion enterprise with operations throughout the British Isles, Europe and the USA, this food sector client is able to provide substantial career advancement for a qualified accountant who can demonstrate business flair, change management experience and an operational bias. As a result of the merger of two businesses, this newly created position offers tremendous scope for the realisation of your true potential.

Reporting to the Group Board and the local MD, your initial remit will be to assess the strengths and weaknesses of the merging businesses, to identify key performance indicators and implement a project led business plan to focus on commercial opportunities and systems improvements.

The ideal candidate will be commercial and creative with experience of working within an FMCG/food manufacturing environment, with a genuine passion for performance improvement and people development.

To apply for this challenging career move, contact Russell Tuck on 0121 633 0010 or write to him at Harrison Willis, Grosvenor House, Bennetts Hill, Birmingham B2 5RS.
Closing date for applications is 2 April 1998.
E-mail: stephenrandall@hwgroup.com
Internet: www.hwgroup.com

HARRISON WILLIS
FINANCIAL RECRUITMENT CONSULTANTS

HW GROUP
HARRISON WILLIS
A BRAND OF THE HW GROUP

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • GUILDFORD • LEEDS • LONDON
MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

KPMG

Chief Accountant

- **Central London**
- **£60K + Bonus and benefits**

Our client is a leading securities house and investment bank with a major presence in all the world's principal capital and financial markets. The company is active in the underwriting, trading, brokerage, research and asset management businesses. In London it provides a full range of brokerage and investment banking services in the equity, bond and derivative markets, together with research and corporate finance advice for offices and clients in Europe and the Middle East.

Our client now wishes to recruit the equivalent of a Chief Accountant to report to the Head of Finance and be responsible for delivering cost effective management and financial information to senior management for the organisation via a team of 12 staff. This includes planning, management and financial reporting and statutory reporting.

The ideal candidate will be a high calibre graduate accountant (ACA) with a minimum of four years' experience in an investment bank/securities house, will have a good knowledge of the relevant accounting standards and be able to understand and control complex structural trades. IT skills and the ability to manage the development and implementation of improved computer systems is also very important. The role is "hands on" as well as having a strong team involvement and the chosen individual will have a high level of commitment and the ability to motivate others.

Interested candidates are requested to send comprehensive CVs and salary details, quoting reference N1903 to: Tony Saw, KPMG Selection & Search, 1–2 Dorset Rise, Blackfriars, London EC4Y 8AE.

KPMG Selection & Search

Finance Director

City firm **six-figure package**

We are innovating, changing, focusing on success and introducing the skills and experience of commercial management into our partnership.

As a growing practice, we're committed to developing and learning how to become even more successful. We are also a law firm who is small enough to know everyone but large enough to be a major player in our strategic markets. An exceptional Finance Director is now sought to complete our strong management team.

The role
- add significant benefit to the partnership through the innovative but practical use of information
- revolutionise the way information is used to support the full range of business decisions from the sales to delivery activities, including product development, product profitability and life cycle management
- lead the finance function to ensure strong management of profitability and cash flow, always developing and implementing process improvements
- support the firm through significant restructuring and alignment as it develops and implements new ways of working to ensure continued growth and success.

The person
- we have a young profile - you must have a progressive attitude
- we want results - you must be focused on delivering tangible benefits
- we are sector leaders - you will be successful, creative, persuasive, energetic and team-orientated - a natural leader like us
- we understand our clients' needs - you will understand and relate to the unique differences of a partnership structure - you will understand our needs
- we are professionals who deliver quality - you will be professionally qualified (FCA, FCMA) with high-quality, relevant experience
- we need accurate and timely information to make better decisions - you will have identified business information needs in other companies, implementing supporting systems using technology creatively.

Please write to our advising consultant, enclosing your cv, outlining current remuneration and addressing each of the points above, to Yolande Leroy-Evans, Executive Search and Selection, Ref: 001S/YLE/FT, PA Consulting Group, 123 Buckingham Palace Road, London SW1W 9SR. Tel: 0171-730 9000. Closing date for receipt of applications: 9th April 1998.

Global Recruitment

PA Consulting Group

West Sussex ***£35,000***

Our client is a leading provider of specialist financial services catering to a market with potential for extensive growth. With top quality products and international backing they are putting in place ambitious expansion plans and are seeking to develop their Finance Department.

A key appointment in this process will be that of Management Accountant. Reporting to the Chief Financial Officer this is a classic management accounting role. Utilising existing systems, you will develop the monthly financial reports to incorporate portfolio trend analysis and key business performance ratios. The role will include full accountability for annual budgets and quarterly forecasts, and three year financial plans will need to be instigated, linked to a wider business plan. You will also be involved in the development of new product lines, product pricing and potential portfolio acquisitions. You will deputise for the Chief Financial Officer and will assist in formulating and supporting key strategic decisions.

You will be a qualified accountant with a minimum of two years' post-qualification experience preferably within a financial services environment. You must have experience in contributing to key business decisions and the ability to negotiate with staff at all levels. A flexible and adaptable outlook is a pre-requisite and you will be a highly articulate, persuasive decision maker with a resilient and hands-on approach.

This is an outstanding opportunity to make a real difference to a growing and ambitious organisation. For further information please send a full résumé to Steve Williams, quoting reference 2868/58 at Morgan & Banks PLC, Brettenham House, Lancaster Place, London WC2E 7EN. Fax number 0171 240 1052.

e-mail: info@morganbanks.co.uk http://www.morganbanks.com.au

Morgan & Banks
INTERNATIONAL

DOING BUSINESS IN CHINA

Plumbed in to success

James Harding finds American Standard's experiences have wider lessons for other investors in this exacting market

"Our business grew by 60 per cent last year," says Horace Whittlesey, general manager in China of American Standard, the most prodigious foreign manufacturer of toilets in the Chinese market. "If we grow by 60 per cent again as we expect this year, then we're gonna be as happy as pigs in" – he smiles – "well, you know."

There are foreign investors in China who are not smiling. During the last year, a handful of companies – including Whirlpool, the US white goods maker, Peugeot, the French car manufacturer and Caterpillar, the US machinery group – have had to close factories or scale down their manufacturing businesses in the face of disappointing demand and difficult operating conditions in mainland China.

Others, such as Kimberly-Clark, the US paper products group, are involved in legal wrangles in China's infant market economy. And, many, many more have had to come to terms with a performance that has fallen well short of their original expectations for the 1.2bn-person market.

But American Standard's plumbing business, which produces bathroom fittings, baths, basins, toilets and "a very few bidets" in seven factories across China, has started churning out sizeable profits.

Last year operations in China generated sales of roughly $100m (£63m), achieving profits estimated to be worth more than 15 per cent of turnover. Of the seven factories, all established as separate companies under the American Standard umbrella, Mr Whittlesey says: "Three companies are minting money, three have good earnings performance, and one is having a slight struggle." By 2003 he expects to have tripled turnover to $300m.

After more than five years in China, Mr Whittlesey's credo seems to be persistence. The words "Never, never quit" are inscribed on the pet rock that sits beside him at American Standard's China headquarters in Shanghai. "China can be a frustrating place, so have an enormous store of patience and persevere," he says by way of advice to foreign entrants to the China market.

American Standard's push into China offers further tips to the would-be investor in the Middle Kingdom. The company started selling its products – largely baths and loos to five-star hotels – in China in the early 1980s. In 1984, to dip a toe in the water of manufacturing in China, it established a small, joint venture factory in southern China.

But the market for high-end bathroom products only took off in the early 1990s with the boom in new buildings. By 1993, American Standard's sales into China from plants and distributors in the US, South Korea, Hong Kong and south-east Asia amounted to $20m.

American Standard had a feel for the market, says Mr Whittlesey: "We had a foot in the door. We had organisation and people on the ground selling in China."

However, there was no organised system of sales and distribution and it became clear to the company that it could not build its business in China without production facilities there. "You can't service China from the US. If you are outside China, you are holding the wrong stocks or you've got the wrong stocks on the high seas."

In 1993 and 1994 American Standard set up another six manufacturing operations in different parts of China. But while the company multiplied its output in China, it did so with limited financial risk to American Standard in the US, the parent company. By a private placement arranged by Peregrine, the former investment bank based in Hong Kong, roughly 70 per cent of the investment was provided by outside investors. Over time American Standard has increased its stake in its China operations to about 55 per cent.

Mr Whittlesey thinks American Standard has done three things well in China: distribution; product development; and management of organisation and people.

American Standard has identified what he calls "good local wholesalers" to act as a network of authorised distributors and *has channelled all business* through them.

"We cannot do promotion and sales to every customer in China. You have to let the local people do it," says Mr Whittlesey.

He does not make too much of a fuss about *guanxi* – the "connections" with Chinese officialdom that some foreign business people see as critical to success in a one-party state. "You don't need any enemies," he acknowledges, but sees little reason to spend heavily on courting local officials.

As important as distribution is tailoring the product to suit the Chinese market. In American Standard's case, this has meant altering the specifications of their sit-down toilets so that they can be installed in the space once occupied by squat toilets. It has also involved producing an up-market glazed porcelain squat toilet under its own brand, described by Mr Whittlesey as the "Rolls Royce" of squats. Most of the 60 per cent growth in business last year came from products made exclusively for the Chinese market, he says.

American Standard has had its problems. Manufacturing joint ventures caused headaches. Only one of its seven factories in China is wholly owned by American Standard, the rest are joint ventures. But in retrospect, he believes they would rather have set up all their businesses as wholly owned foreign enterprises. "Some of the people we had to absorb were not the ideal people we wanted to start out with. Some of the JVs we had to take over had old buildings we then had to raze to the ground. Some local partners can be helpful and very influential, but if they want to help fix your problems, they often fix them at a higher cost than you could fix them yourself," he explains.

The biggest frustration has been intellectual property rights violations – fighting fakes. Slowly, American Standard is making progress against the producers of counterfeit bathroom products that carry its brand. During the past few years they have been conducting a couple of raids a month. Recently one repeat offender was sentenced to five years in jail, which Mr Whittlesey hopes will send the message "that American Standard is not going to be messed with".

Like so many investors in China, American Standard has had to temper its enthusiasm for the ultimate massmarket. In the long term, the Chinese are converting from squat toilets to sit-down lavatories, which is good news for American Standard. But in the meantime, "rural China [population approximately 800m] still squats, many of them in the paddies". And 85 per cent of the toilet market is low-quality, low-cost local products which compete well below American Standard's price point. One of the next challenges, Mr Whittlesey says, is to break into that "economy" segment of the market.

Even the top end of the market has grown a little more slowly than American Standard bullishly hoped a few years ago. Notwithstanding the rapid rise in sales, Mr Whittlesey says: "We are a year and a half behind the growth expected five years ago. That's our reality check."

This is part of a continuing series on doing business in emerging economies.

FIRST PRINCIPLES FOR SETTING UP A BUSINESS IN THE MIDDLE KINGDOM

- Do be careful in choosing your investment vehicle – be aware of the risks as well as the rewards of joint venture manufacture and ensure satisfactory levels of control in the business.
- Do be aware of regional markets – China is not one market, but a continent where regional markets and investment conditions differ.
- Do invest in distribution – for consumer goods businesses, getting the product to the customer has proved the biggest headache.
- Do the research into the competition – China may look like a big market, but international brands and the growing number of low-cost local competitors mean that many sectors are heavily oversupplied.
- Do be flexible, patient and persistent – as one sage once said: "You shouldn't have come, comrade, if you can't take a joke."
- Don't expect quick returns – a few businesses make profits in a very short space of time, but for most, China is a long-term play.
- Don't overestimate the market – don't succumb to the hype of the 1.2bn-person market, for the number with a disposable income is closer to 350m and only a fraction of those can probably afford your product.
- Don't hurry to find the right people – once established in China, training and then keeping the best people is what makes or breaks businesses in the long-term.
- Don't rely on the rule of law – and don't rule out sudden changes to the legal situation.
- Don't be put off – China is a country where nothing is immediately available, but anything is ultimately possible.

TECHNOLOGY *TEXTILE QUALITY CONTROL*

Fault finding picks up pace

Slow spotting of flaws by the human eye seems on borrowed time, says **Peter Marsh**

Swiss mechanical *ingenuity and US* microchip expertise may have cracked one of the toughest technical problems in the world textile industry. The task concerns checking for flaws in fabric as it emerges at high speed from weaving or knitting machines.

To date the complexity of *the job has been too much* for all but the most high-powered technology researchers, which is why the task has up to now been done almost completely with the human eye.

But a dogged, 15-year effort by Zellweger Luwa, a leading Swiss manufacturer of electronic instrumentation for textiles, appears to be producing results.

The company is about to start trials with one of the world's first machines capable of scanning by image processing equipment rolls of cloth up to 2m wide travelling at up to 120m a minute. The system is said to be able to spot tiny flaws that might annoy consumers or industrial buyers when the cloth is made into a dress or set of curtains later.

It relies on a powerful array of microprocessors developed by Adaptive Solutions, an Oregon-based computing business. The equipment is claimed to work at up to 1,000 times the speed of a conventional Pentium microprocessor found in a desk-top computer.

Zellweger says the system will be much easier to use than other image processing hardware that has made its way into textile factories, but which often has been too complex for straightforward operation.

By novel software techniques, the company says operators will be able to *"teach" the machine what* kinds of flaw to look for by feeding it a library of common defects, each with dimensions of no more than 0.3mm, found in several cloth patterns.

Zellweger hopes from next year to sell up to 50 of its machines annually, assuming the system passes secret trials in weaving mills in Germany, Italy, Switzerland and Austria.

The Swiss company's system will hardly be cheap at about SFr500,000 ($336,000). But for textile companies the equipment may offer big benefits by automating an important part of quality-control processes.

At present, inspection is mainly by teams watching fabric rolls unwinding at 10-20m a minute. That is much slower than the Zellweger system. And as the job is very monotonous, defects slip through, irritating purchasers and adding to problems in ensuring that information about quality defects is fed immediately back to the production process.

Development started in the early 1980s when Rolf Leunenberger, a Zellweger researcher, examined microprocessor-based camera systems. Even the best microchips were then not up to the job, so Zellweger dropped the research in 1990.

But Mr Leunenberger, in another job at the Swiss Federal Institute of Technology, a government research organisation, did not lose interest. He began to explore more powerful software algorithms for cracking the problem, aided by ideas in "neural networks" – ways of organising microchips so chips work at processing tasks in parallel in a manner comparable to the brain.

Operators will be able to 'teach' the machine what kinds of flaw to look for

Inspired by machinery used by the Swiss post office to "read" handwriting on envelopes – a particularly tough conundrum in image processing – Mr Leunenberger developed ideas in neural networks, helped by the link with Adaptive Solutions. Zellweger kept its connection with its former researcher, whom it employed as a consultant, and struck up an informal partnership with Adaptive Solutions.

The US company has developed "superchips" for this application, each with up to the equivalent of 64 conventional microprocessors on a single silicon slice. The "superchips" are bundled together to make an array of some 512 microprocessors working in parallel.

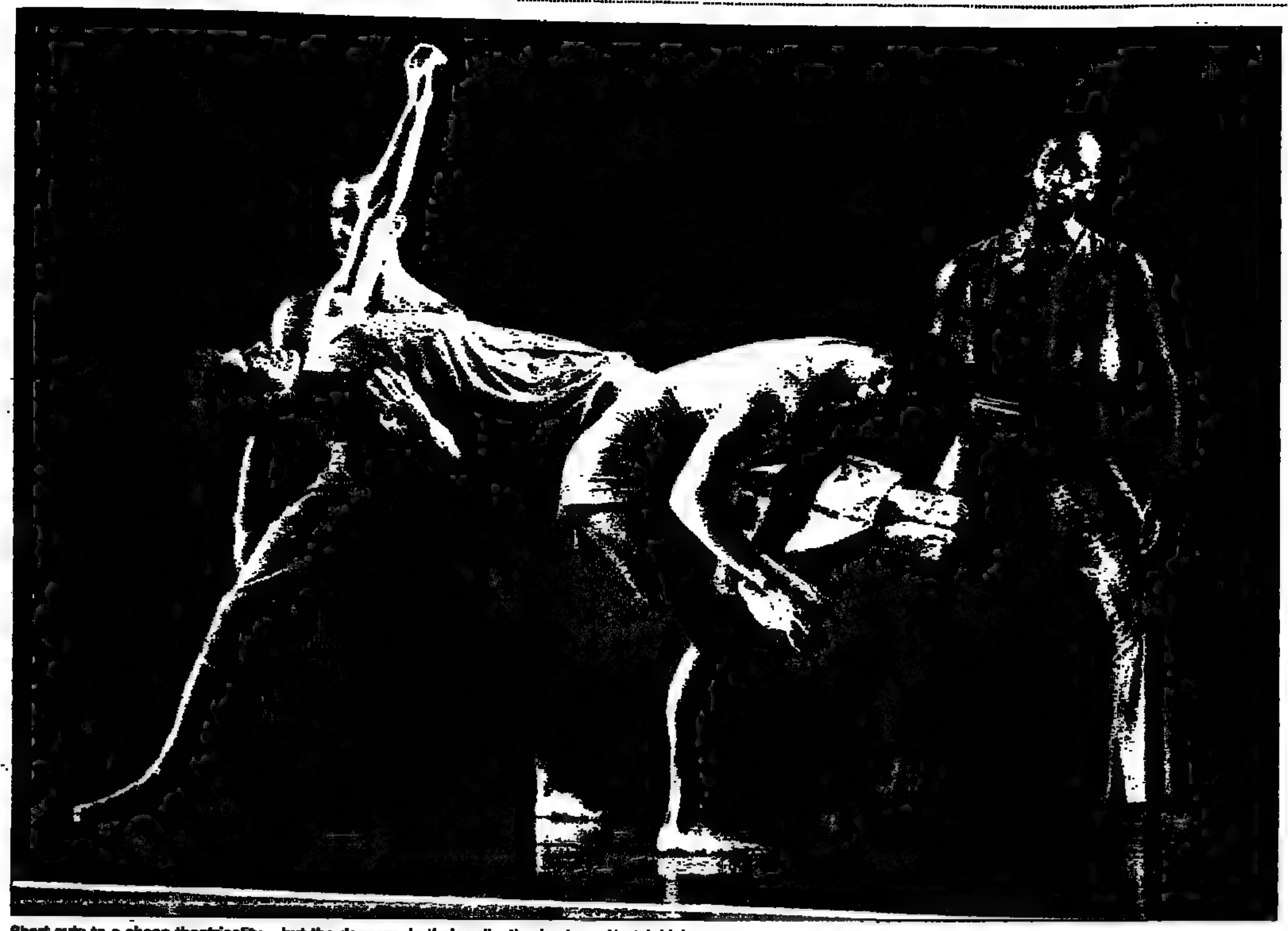
At the federal institute Mr Leunenberger met Jürg Uhlmann, a young computer scientist, whom Zellweger has hired to head an image processing project that has brought the ideas close to commercial fruition.

Fitted with high-speed cameras bought from Dalsa, a Canadian company specialising in sophisticated image processing, Zellweger's machines will be "taught" to recognise flaws by being presented with common pattern faults unique to a specific material. The system will be flexible enough to be switched over to "look" for different faults depending on the cloth.

As to the likely market for the machines, about two thirds of the world's 20,000 weaving mills are in Asia, where the old fashioned human method of cloth inspection is likely to remain for some time. But textile makers in North America and Europe are a different matter. Zellweger is expected to aim its system at big producers such as Milliken, Parkdale and Burlington in the US and Hof in Germany. It believes they may buy a machine that may improve competitiveness hugely.

Further change to the industry looms: the technology has outstripped the human eye

THE ARTS



Short cuts to a cheap theatricality – but the dancers do their collective best Alastair Muir

Exercise in high-energy narcissism

DANCE

SOPHIE CONSTANTI

We Set Out Early
Bill T. Jones/Arnie Zane Dance Company

After the hype and controversy which accompanied Bill T. Jones's victim art roadshow, *Still/Here*, back in 1994 the choreographer's recent full length work, given its European premiere at the Peacock Theatre, comes as a relatively bland and inoffensive package. Within the tolerably dull 70 minutes of *We Set Out Early ... Visibility was Poor*, there is little to enrage or appal the viewer apart from the tedium and deficiencies of Jones's choreography and, of course, his habitual exploitation of life's larger themes.

As usual, Jones's exploration of social issues here is skin deep, forming a kind of conceptual gloss which, ironically, highlights the work's superficiality.

Having claimed that *We Set Out Early*'s "point of departure is the notion of a continuum of events as history", Jones proceeds with vague and crass allusions to the selective truth of memory, the desire for logic and the nature of interaction between individual and community. Not that he is able to translate any of this into potent or legible dance.

And does he really believe that, in populating his company with dancers of varying shape, size and colour, he is practising democracy? Does he think we've forgotten that his partnership with the late Arnie Zane was based on the novelty factor of a big, black, muscle-bound man dancing with a short, white playmate? Although the company's dancers do their collective best with some woefully insipid, albeit brutish, material they eventually succumb to the high energy narcissism which characterises the work.

In using an arrangement of Stravinsky's *L'Histoire du Soldat* (minus narration) for the first of the work's three sections, and a trio of prepared piano pieces by John Cage for its second, Jones spotlights two of this century's most influential composers. Thankfully, he doesn't align himself with either of these figures in the way that, say, Béjart, in one of his most megalomaniacal pieces, attempted to share a pedestal with Stravinsky's ghost.

Rather, his offence is to pollute his chosen scores with a rhythmically banal *mélange* of hip-wiggling, shoulder rotations, empty gestures and strained posturing. Only in the transitional, second part does Jones let the Zen serenity of Cage's soundworld dominate while an enormous elongated egg, filled with light, illuminates the dancers as they slowly cross the stage.

Unfortunately, Peteris Vasks's quasi-religious compositions which accompany the closing section trigger Jones's dangerous pretension to spirituality. Huddled together, the dancers mouth words, mime screams and set themselves apart from a dissenting couple who appear to be scrubbing the floor with their hands as the music build to a climax.

Typically, Jones bypasses profundity for short cuts to a cheap theatricality. The work ends with a stomping, shimmying, unison phrase – first performed by the whole group minus a single, male outsider, then adopted by a solo dancer. As a conclusion, it isn't exactly charged with meaning but does harness a sensitivity which is lacking elsewhere.

Pity then, that Jones hijacks the same dance phrase and turns it into an overblown, stylised curtain call for himself and his company. "It would have been no great tragedy if I had become a truck driver," states the choreographer in his autobiography. There's still time, Bill.

At the Peacock Theatre, London WC2 until Saturday (0171-314-8800).

Sweeter sounds from Baalbek

Michael Church on attempts to recreate a music festival in Lebanon

What sort of music does Hezbollah like? This is a question much asked in Lebanon at present, and it is not a frivolous one. For Hezbollah gunmen control Baalbek; and until civil war erupted, the Roman temples of Baalbek hosted one of the world's great festivals of opera and dance.

A revived Baalbek festival would send a message about the return of normality even louder than that sent out by the much trumpeted reopening of the Casino du Liban. Nasser Safieddine, the urbane culture-supremo at Lebanon's ministry of tourism, knows this well. He presided over a mini-festival at Tyre shortly after the Israeli bombardment in 1996 "just to show the city was safe again".

Last autumn he staged a mini-festival at Baalbek itself, which culminated in a concert by Mstislav Rostropovich. This was a huge success, and there are plans for a more substantial event this August. May Arida, the festival director, shrugs off the recent gun-battle in Baalbek between Hezbollah and their Sunni rivals. "Our plans remain unaffected," she says.

"Obviously whatever is performed at Baalbek must be in accordance with the culture of the people who live there", says Safieddine, carefully. "We're not having the can-can. But there has been no opposition from Hezbollah. They actively want it to happen."

But here's the paradox. Hezbollah and their fundamentalist friends have long castigated western music as decadent. They play Beethoven and Mozart on the radio when someone important dies – it's actually known as "funeral music" – but their official line is condemnatory. More specifically, they condemn singing. This is confirmed by Walid Gholmieh, director of Beirut's conservatoire: "They say they want to keep their music pure. Lebanon's musical tradition is based on song, but most of our students – even those studying oriental styles – are studying instrumental music only."

Gholmieh is trying to push music towards the centre of the national stage. "In the 1980s I watched this conservatoire being looted, its pianos destroyed. When I took over the helm in 1991 there was nothing: I sat here for three months without electricity. We now have 3,500 students, including 350 violinists and 700 pianists."

But how can so many musicians find work? "Your question is a delicate one, because the Islamic conception of music is not favourable to it as a career. But many will teach, because our conservatoire now has branches all over Lebanon, including one in Sidon, where 95 per cent of the students are Moslems." Gholmieh's longer-term crusade is to persuade the state to fund a symphony orchestra for Lebanese music. "But each time I win the argument, something happens to prevent it – a war on the southern border, or the Israelis shelling Beirut."

'I started it because young people in this country had seen virtually nothing but war'

In an adjoining studio pianist Avo Kuyumjian is giving a masterclass. It is appropriate that the first girl to play should choose Bach's swirling Chromatic Fantasy, since this is the composer's most "arabic" piece. "These students are completely cut off from the rest of the musical world," says Kuyumjian afterwards. "All they have is courage, and their will to succeed." He was born here, went to study in Vienna, came back in 1977 to give a concert, and was afterwards so badly beaten up by a group of militiamen that he vowed never to return. "But my heart still beats to the rhythm of this place. I want to do what I can to help it back on its feet."

Kuyumjian is in town to play at the Al Bustan festival. This is the fifth successive spring that Myrna Bustani has brought top singers and chamber groups to perform in her auditorium in the hills overlooking Beirut. "I started it because I realised young people in this country had seen virtually nothing but war," she says. "And I wanted to pave the way for a reopened Baalbek festival." For five weeks each year her 450-seater hall is packed; the problem is persuading artists that it's safe. "In 1996 year we had to start booking in the month when the Israelis attacked. Some musicians said we had to be joking, others wanted to wait and see." She finally got the people she wanted.

But that indigenous will is everywhere in evidence. For example, in professor Charbel Rouhana, whose performance on the oud – the arabic lute – has an Elizabethan grace and melancholy. He had developed his own teaching method, and he has craftsmen working on smaller-scale instruments for children. "Just as you have your family of violins, starting with the tiny one-sixteenth, we shall soon have our family of ouds."

Then there is Imane Homsy, by day an architect, but in her spare time she is Beirut's leading exponent of the kanun, or Phoenician zither. This instrument is traditionally plucked with two fingers: she has patented a method involving eight, and has commissioned composers to write for its expanded possibilities. And two middle-aged professors, one of the oud and the other of the guitar, are developing a repertoire to show how these cognate instruments may at last be yoked together. "We're playing partly baroque music, and partly fresh compositions," says guitarist Joseph Ichkhanian. "It's a new formula, but we think it tickles the ear."

POP SIMPLE MINDS' NEAPOLIS

Too bland to be cool

There are few less fashionable sounds of the moment than the pompous, muscular thrashings of the early 1980s supergroups. Along with U2, Simple Minds were at the crest of that particular wave; both bands brought credibility back to the stadium concerts which had been roundly denounced by the spirited practitioners of punk *diktat*.

Happily for them, it made sound economic sense as well as fashioning its own, distinctive aesthetic. Simple Minds became simply huge, garnering critical acclaim for a string of intelligent albums and showing an acute sense of commercialism when choosing singles.

Fast-forward to today and the band's leaders, Jim Kerr and Charlie Burchill, were faced with a dilemma: how to update their sound in an era which is still enamoured of guitar-based brevity? On *Néapolis* (Chrysalis), they show impressive resourcefulness, moving forward by glancing back in time.

Néapolis is reminiscent of the earliest Simple Minds albums, when the group was influenced by the layered synthesisers and mechanical backbeats of the German electronic bands. The group's latest clutch of songs do not move very much; indeed they make a point of their stillness, happy to be buoyed by swathes of carefully textured keyboards, with only the odd bubble of synthesiser disrupting the flow.

It all sounds pleasant enough; but there is a thin line between the hypnotic and the somniferous, between ambient-cool and wallpaper-dull. Much of the sequencing here is too bland to sustain interest, and Kerr does not do enough with his voice to make an impact.

Neither is there any great melodic strength on the album: the latest single, "Glitterball", has its moments; there is a folky feel to "Superman V Supersoul", but that is about it. Dangerously, *Néapolis* ends on a meandering instrumental, "Androgyny", which only stresses the shortage of ideas. More successful is the acoustic opener, "Song for the Tribes", which negotiates the delicate balance between restraint and forcefulness.

Ironically, it is in turning their backs on their halcyon pomp rock days that Kerr and Burchill lose out; one of the group's greatest strengths was the sheer amount of rhythmic fury they generated (think "Waterfront", "Promised You a Miracle"). How careful even the biggest groups need to be in recycling their history to coincide with the demands of the moment.

Peter Aspden

Loyal musicians under the baton

MUSIC

RICHARD FAIRMAN

Boston Symphony Orchestra
City of Birmingham Symphony Orchestra

The Boston Symphony Orchestra is out and about early this year. Usually we get visits from the American "big five" orchestras during the the summer season of festivals, but this year the Boston players are already here, touring Mahler symphonies around Europe.

At a time when most long-standing conductor-and-orchestra teams have broken down, the Boston Symphony is a stronghold of stability. Seiji Ozawa is coming up to his 25th anniversary as music director, which suggests the loyalty runs deep on both sides. His tenure may have invited its share of criticism on artistic grounds, but the orchestra is playing as superbly as ever and Ozawa has helped to attract valuable financial backing.

All of that was on show in the London shop-window of this NEC 1998 European tour. There were two concerts at the Royal Festival Hall, comprising one Mahler symphony apiece. Only a couple of weeks after catching both the Berlin Philharmonic and Vienna Philharmonic orchestras also playing Mahler, the Boston players were not overshadowed. Their sound is perhaps less glossy, but for technical distinction they are up with the best.

At Wednesday's concert the symphony was Mahler's Sixth (the Third followed on Thursday). Ozawa was businesslike with it, organising the orchestral detail with complete managerial control and keeping his eye on long-term goals. It was easy to admire his skills objectively, as one might a particularly well-informed and brisk chairman at a meeting. But memories of other performances in this hall – the stark Boulez, the hallucinatory Karajan, the intensity of Tennstedt – left this one seeming devoid of deep personal feelings.

Its unfaltering strength was an orchestra that has learned how to knit every strand of Mahler's complex writing into a single perfectly-balanced whole, the result of years of rehearsing and performing to the highest standard. If Ozawa were to depart, as Masur is apparently to do from New York, one can imagine many conductors eager to take his place – the name of Simon Rattle being at the top of the list, if rumours are to be believed.

At the end of this season Rattle is due to leave the City of Birmingham Symphony Orchestra, which he has lifted to unforeseen heights. His annual *Towards the Millennium* festival will not be finished, but he says he will return as a guest to see it through to completion, and on Monday was at the Royal Festival Hall for a typically ambitious programme of music from the 1970s with the CBSO as his tireless companions.

This was the French programme out of the three that Rattle conducted. The 1960s turned every composer into an individualist and by the next decade Boulez was carving the gravestone formality of *Rituel (In memoriam Bruno Maderna)* while Messiaen was filming the panoramic musical travelogue *Des canyons aux étoiles*, which may go on too long but has some amazingly original sounds in it. Two-and-a-half hours of challenging music to test and delight is par for the course with Rattle. Wherever he goes next, they should be prepared.

INTERNATIONAL

Arts Guide

AMSTERDAM

CONCERTS
Concertgebouw
Tel: 31-20-675 4411
Rotterdam Philharmonic Orchestra: conducted by Valery Gergiev in works by Brahms, Mozart and R. Strauss. With piano soloist Stefan Vladar and soprano Inga Nielsen; Mar 21

BALTIMORE

CONCERTS
Joseph Meyerhoff Symphony Hall
Tel: 1-410-783 8000
www.baltimoresymphony.org
Baltimore Symphony Orchestra: with percussionist Evelyn Glennie. Programme includes Christopher Rouse's Der gerettete Alberich and R. Strauss's Also sprach Zarathustra. The conducter is David Zinman; Mar 20

OPERA
Baltimore Opera Company, Lyric Opera House
Tel: 1-410-625 1600
www.baltimoreopera.com
Carmen: by Bizet. Conducted by Alfredo Silipigni in a production directed by David Roth. The title role is sung by Irina Mishura; Mar 21, 22

BELFAST

THEATRE
Grand Opera House
Tel: 44-1232-241919
Marlene: A Tribute to Dietrich. Starring Siân Phillips; Mar 20, 21

BERLIN

CONCERTS
Philharmonie
Tel: 49-30-2548 8354
Berlin Philharmonic Orchestra: conducted by Daniel Barenboim in works by Lutoslawski and Tchaikovsky; Mar 21, 22

BIRMINGHAM

CONCERTS
Symphony Hall
Tel: 44-121-212 3333
The Tchaikovksy Experience: Roger Norrington conducts the Orchestra of the Age of Enlightenment. Tomorrow's programme includes extracts from Sleeping Beauty and Piano Concerto No. 1, with pianist Cyril Huvé. Sunday's programme includes Tatyana's Letter from Eugene Onegin with soprano Joan Rodgers, and the Pathétique Symphony. The weekend's activities include afternoon recitals by Huvé and Rodgers, as well as talks and open rehearsals. The programme will be repeated in London next weekend

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
● Don Carlo: by Verdi. Co-production with the Grand Théâtre de Genève, conducted by Eliahu Inbal in a staging by Andrei Servan; Mar 21
● Il Campiello: by Wolf-Ferrari. New production conducted by Bruno Bartoletti in a staging by Nanni Garella, with designs by Antonio Florentino; Mar 20, 22

CHICAGO

CONCERTS
Orchestra Hall
Tel: 1-312-294-3000
www.chicagosymphony.org
Chicago Symphony Orchestra: conducted by Oliver Knussen in works by Mussorgsky/Stokowski and Knussen; Mar 20, 21

DUBLIN

EXHIBITIONS
Irish Museum of Modern Art
Tel: 353-1-612 9900
Andy Warhol: After the Party, Works 1956-1986. 100 works, drawn mainly from the Warhol Museum in Pittsburgh; ends on Sunday

FLORENCE

OPERA
Teatro Goldoni
Tel: 39-55-211158
www.maggiofiorentino.com
Orfeo: by Montiverdi. New staging by Luca Ronconi, conducted by René Jacobs; Mar 20, 21

HELSINKI

OPERA
Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Etienne Glaser, designed by Peter Tilberg. Conducted by Mikko Franck; Mar 20

HOUSTON

DANCE
Houston Ballet
Tel: 1-713-227 2787
The Snow Maiden: new full-length work choreographed by Ben Stevenson to a Tchaikovsky score arranged by John Lanchbery, in a co-production with American Ballet Theatre. Bolshoi ballerina Nina Ananiashvili makes her Houston debut in the title role. The designs are by Desmond Heeley; Mar 20, 21, 22

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Boulez Celebrates Carter: Pierre Boulez conducts the London Symphony Orchestra in works by Bartok, Schoenberg, Carter and Debussy. With piano soloist Emmanuel Ax; Mar 22

Royal Festival Hall
Tel: 44-171-960 4242
London Philharmonic Orchestra: conducted by Mark Elder in Gamelan Music at 6pm, followed by Messiaen's Turangalila Symphony at 8pm; Mar 21

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● La Bohème: by Puccini. Steven Pimlott's production is revived by Barry Atkinson and Frances Moore, and conducted by Emmanuel Joel; Mar 21
● The Tales of Hoffman: by Offenbach. New production by Graham Vick, designed by Tobias Hoheisel and conducted by Paul Daniel/William Lacey. Cast includes John Tomlinson; Mar 20

Shaftesbury Theatre
Tel: 44-171-379 5399
The Royal Opera: Cosi fan tutte, by Mozart. Revival of Jonathan Miller's production, conducted by Colin Davis; Mar 20, 21

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-8755030
New York Philharmonic: conducted by Daniele Gatti in Mozart's Eine kleine Nachtmusik and Mahler's Symphony No. 5; Mar 20, 21

EXHIBITIONS
Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
● Charles-Honoré Lannuier: (1779-1819): around 50 pieces of furniture by the French cabinetmaker who left Paris to build a career in New York; to Jun 14
● Gianni Versace: this tribute to the late Italian designer explores the influences upon his work of artists including Warhol, and of historical styles ranging from Greek and Roman classicism to 18th century court styles and the Vienna Secession. The show also explores his use of new materials such as plastic and leather; ends on Sunday

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Lohengrin: by Wagner. New production by Robert Wilson, with costumes by Frida Parmeggiani; Mar 21

THEATRE
Joseph Papp Public Theatre
Tel: 1-212-239 6200
Macbeth: by Shakespeare. George C. Wolfe directs Alec Baldwin and Angela Bassett; to Mar 29

PARIS

CONCERT
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Semyon Bychkov in Mahler's Symphony No. 2; Mar 21

Théâtre des Champs Elysées
Tel: 33-1-4952 5050
● Boston Symphony Orchestra: conducted by Seiji Ozawa in Mahler's Symphony No. 6; Mar 20
● Boston Symphony Orchestra: conducted by Seiji Ozawa in Mahler's Symphony No. 3; Mar 21

ROTTERDAM

CONCERTS
de Doelen Hall
Tel: 31-10-217 1700
Rotterdam Philharmonic Orchestra: conducted by Valery Gergiev in works by Brahms, Mozart and R. Strauss. With piano soloist Stefan Vladar and soprano Inga Nielsen; Mar 20

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
San Francisco Symphony Orchestra: conducted by Herbert Blomstedt; Mar 20, 21

TOKYO

CONCERT
Bunkamura
Tel: 81-3-3477 9999
Tokyo Philharmonic Orchestra: conducted by Kazushi Ono in works by Ligeti and R. Strauss. With violin soloist Eiji Arai; Orchard Hall; Mar 20

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PHILIP STEPHENS

Back to Har Homa

The British prime minister must reassert Europe's role in the Middle East by following in the footsteps of his foreign secretary

I am warming to Robin Cook. Britain's foreign secretary stands accused this week of causing grave offence to the Israeli government of Benjamin Netanyahu. His crime was to shake the hand of a Palestinian while being jostled and jeered by Jewish settlers in Arab East Jerusalem. As I said, I am warming to Mr Cook.

Conventional wisdom has it that the foreign secretary's foray into the Middle East peace process was a diplomatic disaster. His brief trip to the controversial settlement at Har Homa invited an extraordinary snub from Mr Netanyahu. Denied a long-arranged dinner with his host, Mr Cook was packed off from Ben Gurion airport without so much as a handshake from the most junior Israeli official. Cook humbled, read the headlines in British newspapers. In Israel, they were nastier.

Mr Cook, it is true, is not a foreign secretary from what the English used to call the old school. He is one of politics' pricklier characters, as self-possessed as he is highly intelligent. His pronouncements speak his mind. They lack the silken vacuity which Malcolm Rifkind, his Conservative predecessor, made his trademark. It was no accident that Mr Rifkind was among the first this week to criticise Mr Cook. Nor that Douglas Hurd, an altogether more substantial figure in the politics of the past decade, declined to join the rush to judgment.

I doubt whether Mr Cook would deny that the mob which greeted him at Har Homa and the violence of Mr Netanyahu's reaction made for his most uncomfortable day as foreign secretary since since last May's general election. And it is clear in retrospect that there were one or two diplomatic slip-ups in the overall planning of the visit. With the benefit of hindsight he would have added the Holocaust Memorial at Yad Vashem to his itinerary.

But the conventional wisdom shatters under examination of the real cause of this week's furore. Har Homa (or Jebel Abu Ghneim as it is known to the Palestinians) is a symbol of Mr Netanyahu's contempt for the process which a few years ago offered a fleeting glimpse of peace.

New settlements in the Arab territories occupied by Israel are illegal under international law. They are also in breach of the 1993 Oslo accords signed by the Israelis and Palestinians. And on the most sensitive issue of Jerusalem, the joint declaration of principles at the heart of those accords could not be clearer. The future of the contested city would be decided only after several years of confidence-building between the two sides.

The Israeli prime minister seems determined that such confidence will never be built. His decision a year ago to approve a 1,200-home settlement in Har Homa had two plausible objectives: to derail a peace process which he had always opposed, or to pre-empt the outcome of any eventual settlement. A charitable interpretation of Mr Netanyahu's intent says the first of these is simply an unfortunate by-product of the second.

Mr Netanyahu wants to shore up his prospects of re-election. We should not make the mistake of characterising his approach to the Palestinians as Israel's policy. Many Israelis would like to see a return to the peace strategy pursued by the late Yitzhak Rabin. But the issue of Jerusalem has special resonance in Israel's domestic politics. And Mr Netanyahu is careless of any wider consequences.

His is a mentality which divides the world between those who are pro-Israeli and those who support the Palestinians. Never mind that the policy undercuts the Palestinian Authority on the West Bank and nurtures the suicide bombers of Hamas. Mr Netanyahu seems to rejoice in isolation. It amplifies his assertion that the nation is under siege. Those, like Mr Cook, who dare publicly to challenge the government are to be accused of anti-semitism. There are only two sides to the argument – and no room for a stance which might be described as pro-peace.

Here we see the reasoning behind the attempt to humiliate Mr Cook. The foreign secretary was travelling in his capacity as current president of the European Union's council of foreign ministers. The visit to Har Homa had the explicit backing of the 14 other EU governments. The purpose, as Mr Cook put it, was to "underline the extent to which the expansion of settlements is undermining the peace process". More than that, the foreign secretary carried the message that Europe wished to re-engage in the region.

That, I think, is precisely what the Israeli government wants to prevent. Sure, it pays lip-service to the idea that the Union has a mediating role to play alongside the US. And EU diplomacy helped clinch last year's agreement between Israel and the Palestinians on Hebron. But to Mr Netanyahu's mind, European governments are overwhelmingly on the side of the Palestinians. It is better to deal only with the Americans, and even then with a pro-Israeli Congress more often than the White House. How convenient it was then that the incident at Har Homa seemed to discredit the EU's involvement. Mr Netanyahu, I suspect, never intended Mr Cook's visit to be an occasion for serious negotiation.

Washington, of course, will always take the lead. But Bill Clinton's administration is a hostage of the Congress. It has lately done nothing much than fume with frustration. I have given up counting the number of times Madeleine Albright has vainly called for a "time-out" on new settlements. All the more reason then for Europe to reassert a role in the process.

Geography anyway says it must. Israeli intransigence adds up to European insecurity. We saw during the recent confrontation with Iraq how much Mr Netanyahu has done to radicalise moderate opinion across the Arab world. As it happens, the EU is also the biggest contributor to the international effort to make the West Bank a viable entity. It has poured more than \$1.5bn into the area over the last few years, six or seven times more than the Americans. And money buys a voice.

Mr Cook was right. And if his supposed embarrassment raised the profile of the settlement issue, so much to the good. What matters now is that the episode does not deflect the EU. The first responsibility here lies with Tony Blair.

The British prime minister's fulsome public support for his foreign secretary was echoed privately at yesterday's cabinet meeting. Next month Mr Blair travels in Mr Cook's footsteps as president of the EU council. His message must be equally robust. Mr Netanyahu has said he is confident that the trip will not been blighted by the events of this week. Mr Blair should reply with the courtesy denied to Mr Cook. He should say he would like to visit Har Homa.

LETTERS TO THE EDITOR

Regime must protect the legitimate interests of pharmaceutical industry

From Mr Alan F. Holmer.

Sir, Frances Williams' article, "UK bid to speed germ war talks" (March 10), states that the US pharmaceutical industry has accepted a "reasonable number" of "clarifying visits" under a new treaty proposed to enforce the biological weapons convention. The industry full shares concerns about the production or use of biological weapons and supports the goals of the proposed new treaty.

However, our member companies are also justifiably concerned about the risk to biomedical innovation and patient health that could result from the loss of innovators' intellectual property and proprietary business information in a poorly designed treaty regime. For this reason, we have endeavoured on numerous occasions to communicate to senior representatives of the US government our reservations about certain elements of the proposed treaty protocol as well as our willingness to help develop solutions to these problems.

Most importantly, our member companies have made clear that any BWC enforcement protocol must adequately protect the intellectual property and proprietary business information that is the lifeblood of the research-based pharmaceutical industry. We are particularly concerned that "clarifying visits" or other non-challenge inspections could expose facilities where there is no justified suspicion of illegal activity to the very real risk of theft of intellectual property or proprietary information.

We are not at all convinced that the benefits of such inspections would outweigh the risks to our interests, but we are willing to work with the US government (and EU governments as well) to help design an inspection regime that both detects and deters cheating, but also protects the legitimate property of an industry that uses the techniques of biotechnology to create treatments and cures for unmet medical needs, not weapons of mass destruction.

Alan F. Holmer,
president,
Pharmaceutical Research and Manufacturers of America,
1100 Fifteenth Street, NW,
Washington, DC 20005, US

Aggravated danger

From Mr Peter Seilern.

Sir, Mikie Kiyoi (Letters, March 4) posts a finger of blame at the US, Germany, France and the rest of Europe for not giving adequate aid to Asia in its time of crisis. She also mentions that Japan gives financial support to Russia (a European country, she says). Unfortunately, Mrs Kiyoi forgets to point out that the Asian crisis has aggravated the danger to the world banking system today and that this follows the inability of the Japanese government to modernise, deregulate and re-liquify its own banking system; in short, to sweep its own doorstep.

Peter Seilern
Seilern Investment Management,
Broughton House,
6-8 Sackville Street,
London W1X 1DD, UK

Share scheme rewarding performance may be hit

From Mr Peter Smith.

Sir, The UK chancellor's new rules regarding share schemes for employees are somewhat misaligned with Labour's claim to be the party of business. I welcome the clarification of taxation rules for risk-of-forfeiture shares, but the imposition of an income tax charge on grant for share schemes which last longer than five years is short-sighted.

By imposing a forfeiture risk limit of five years, the chancellor has seriously constrained companies' ability to introduce innovative share schemes which truly reward, with equity, performance over the longer period. Shareholders of companies which endure economic cycles of greater than five years are the ultimate losers.

Most current share schemes of this genre last less than five years as there is intense, external pressure on companies to mirror market practice. However, there are occasions when "forfeiture risk" necessitates a longer period as the choice of time-frame should reflect the underlying economics of the business and not simply what everyone else does.

It appears that the options for the majority of companies which genuinely need to reward performance over longer than five years are restricted, due to the potential actions of the disreputable few who might exploit the ability to offset income tax charges.

Peter Smith,
associate,
SCA Accounting,
Wellington House,
125 Strand,
London WC2R 0AP,
UK

Battle was defensive

From Professor Yakov Amihud.

Sir, It was amusing to read your criticism of the Israelis who celebrate Purim, ignoring the biblical massacre of 75,000 non-Jews ("Variety of views as Israelis mark an Old Testament massacre", March 14-15). But read the facts in Esther 9:16: "The rest of the Jews, those in the king's provinces, likewise mustered and fought for their lives. They disposed of their enemies, killing seventy-five thousand of their foes; but did not lay hand on the spoil." It was a defensive battle that followed the king's order to kill all Jews in the kingdom.

Yet, your point is sensible. Accordingly, I expect that on VE day, Britain should mourn the tens of thousands of civilians killed by its bombers in German cities during the second world war.

Yakov Amihud,
Leonard N. Stern School of Business,
New York University,
44 West Fourth Street,
NY 10012-1126, US

A taxing problem

From Mr Douglas Finney.

Sir, The situation appears to be as follows:

- I go out and earn some money;
- The UK government takes a sizeable chunk;
- The government gives me back some of it in the form of child benefit;
- The government will then take back some of that in tax.

There must be a more efficient way of not paying me child benefit.

Douglas Finney,
34 Bolingbroke Grove,
London SW11 6EJ, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

States of dependency

European Union leaders are facing a test of credibility over EU farm policy and enlargement of the Union, writes Lionel Barber

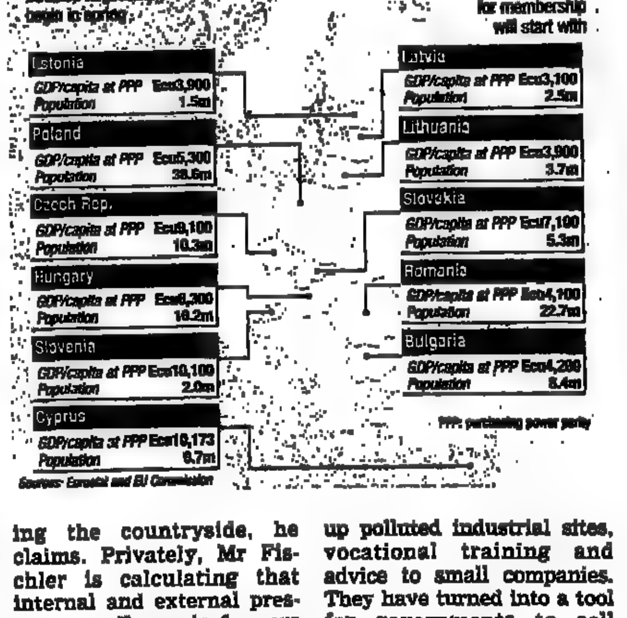
This week, the European Commission unveiled its blueprint to reform what are easily the two biggest items of EU spending, the Common Agricultural Policy and money to help poor regions. The squeals of protest could be heard from Bilbao to Bavaria.

The CAP and regional aid account for more than 80 per cent of annual EU spending (Ecu91bn). There are few illusions in Brussels about the task of breaking the culture of dependency among the 15 member states.

Yet without reform, the EU cannot go ahead with enlargement to central and eastern Europe. The costs of extending western European levels of aid to the east would be prohibitive. Thus EU leaders face a test of credibility: how to defend their existing privileges while honouring their historic commitment to end the cold war division of Europe.

The dilemma is particularly acute for Tony Blair, the UK prime minister and a champion of enlargement. Labour will find it hard to square its rhetorical claim to economic leadership in Europe with its criticism of regional-aid reform on the grounds that Britain, as one of the poorer members of the Union, is being treated unfairly.

So the Commission has to square a circle. Its blueprint – code-named Agenda 2000 – seeks to press for enough reform to make the Union fit to take in up to 11 relatively poor members without triggering a backlash against enlargement. How can it do that?



Sources: Eurostat and EU Commission

On farming, by sticks and carrots. Spanish olive growers, Bavarian dairy farmers and Greek tobacco growers are already protesting about the planned cuts in intervention prices which the EU pays for cereals, beef and dairy products which cannot be sold on the market. These cuts, however, will be offset by income supports that will raise the total cost of the CAP by about 10 per cent by 2006.

Franz Fischler, the Austrian agricultural commissioner, concedes that the package is generous. But this is the price of preserving the countryside, he claims. Privately, Mr Fischler is calculating that internal and external pressures on Europe's farmers will make the case for modest reform irresistible, and that a deal could be struck by the target date of January 1, 2000.

The internal factor is that the power of the farm lobby has peaked. The number of farmers in the EU has been falling by around 3 per cent a year. Today, they account for less than 5 per cent of the EU's population. The crucial breakthrough came in 1992 when Ray McSharry, Mr Fischler's predecessor, rammed through a package which broke the link between EU subsidies and production in cereals and beef. The Fischler package goes a few steps further.

The external factor is next year's negotiation on farm trade under the World Trade Organisation. Europe lost out in the 1980s round because of its failure to adapt; this time, Brussels officials argue that a reform-minded EU would be better-placed to defend its share of expanding world food markets. These two forces should act as a constraint on the CAP.

On regional aid, however, the debate could prove more contentious, if only because half of the EU's total population of 370m benefits from the pork barrel in Brussels. Programmes range from building roads, bridges and telephone lines to cleaning up polluted industrial sites, vocational training and advice to small companies. They have turned into a tool for governments to sell "Europe" to voters.

The Commission, wisely, has decided not to use enlargement as an argument for reform. Instead, the blueprint argues that the present system needs a shake-up, irrespective of the need to take in new members. Hence the emphasis on tightening the rules on eligibility and the pledge to give member states more discretion on the application of funds.

Monika Wulf-Mathies, the German commissioner, would like to shrink the share of the population eligible for aid from 51 per cent to between 35 and 40 per cent. She wants to reduce the number of criteria to three: areas with a GDP per capita of less than 75 per cent of the EU average; run-down industrial regions; and areas suffering from high long-term and youth unemployment. All regions which are set to fall off the aid map would enjoy transition periods of between four and six years.

Three factors complicate the debate. First, the days of ever expanding EU budgets are over. Germany is no longer willing to play paymaster to the "Club Med" bloc.

Governments struggling to meet the budget deficit targets for monetary union are, in effect, forcing Brussels to operate a balanced budget amendment, with no margin for redistribution.

Second, eastern enlargement will increase the number of poorer countries, thereby diminishing the claims of the four countries that have benefited handsomely: Greece, Ireland, Portugal and Spain. Their GDP per capita has risen from 66 per cent to 74 per cent of the EU average over the past decade. Fast-growing Ireland is the biggest success story, but is still resisting an abrupt cut-off in aid.

Third, Germany and the Netherlands are pressing for a new mechanism to reduce their payments to the EU budget. They are looking enviously at the British "rebate" which Lady Thatcher won in the 1980s. The Commission will produce a report in the autumn, but reopening the rebate risks triggering a political crisis in the Union.

The optimistic view is that a deal on regional aid will become easier once the German general election on September 27 is out of the way. This would allow for six months of negotiations, paving the way for a deal under the German presidency in early 1999, well before the European Parliament elections in June. The target date for admitting the first wave of central Europeans around 2002-03 would remain intact.

This assumes that the two countries at the opposite end of the spectrum – Germany, representing the net contributors, and Spain, representing the net recipients – cancel each other out. The Commission must also show that it can maintain the financial discipline which has seen significant underspending since 1995.

The Commission's approach is competent, even clever – but only in terms of finding a consensus among the 15 member states on their own narrow national interests.

As one former senior Brussels official lamented this week: no one is making the broader economic and political case for admitting new members with cheap labour, hungry consumers and fragile democracies. Agenda 2000 is only a tentative step in the right direction.

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday March 20 1998

A nation of homeowners?

Ownership of private property is at the heart of capitalism. So when Zhu Rongji, China's newly-appointed prime minister, yesterday announced the commercialisation of China's property market, he gave the clearest sign yet that his country has turned its back on communist ideology. The policy also has important implications for Mr Zhu's programme of economic reforms.

In part, housing reform is being used as a tool of economic management. Zhu Rongji yesterday repeated his promise that economic growth would not be allowed to fall below 8 per cent. But growth is stalling, and the government is trying to find ways of boosting domestic demand. Greater home ownership would create a rush of demand for consumer durables such as furniture. The government is also worried that if it eases monetary policy, the liquidity would flow into the stock market, fuelling a boom. The availability of housing as an alternative asset would make this less likely.

But the privatisation of housing also makes a lot of sense as a part of Zhu Rongji's drive to reform China's banking sector and its state-owned enterprises.

The demand for mortgages, if it materialises, could be a godsend to the banking system. China's banks are riddled with bad debts. Mortgages are considered to be one of the safest forms of lending, because of the ease of credit assessment and the availability of collateral. They could provide the banks with sound new assets as they set about writing off their stock of bad loans.

Housing reform will also ease the reform of the state-owned enterprises. Until now, these have effectively been China's welfare system. They have provided services such as housing, health care, and wages for workers who are laid off. If they are to be turned into commercial businesses, these welfare operations must be separated off, and taken into either private or government hands. The privatisation of housing is a big step towards this, as is the reform of medical insurance which Mr Zhu also announced yesterday.

The policy sounds like a panacea. But there could be serious problems with its implementation. There must be doubts over how the banking system will cope with mortgage lending. Chinese banks have a poor record of credit assessment, and banking supervision remains inadequate. In the rush to enter this lucrative new market, banks may make serious errors in their lending decisions. It is also far from clear that China's legal system is developed enough to allow banks to enforce payment, for example, or to repossess properties.

And whilst the separation of welfare from the state-owned enterprises is sensible in itself, there must be something to replace it with. This is particularly important at a time when the economy is being restructured, with large-scale unemployment likely to result.

Mr Zhu's speech yesterday was a bold, and welcome, statement of his vision for China's future. Housing reform should certainly play a large part in this vision. But, for all its attractions, Mr Zhu must remain alert to the risks he runs in initiating such a fundamental change to China's economic system.

Green ties

A casual newspaper reader this week might have thought the island of Ireland had been evacuated. Half the population seemed to be betting their revalued punts on the Cheltenham Gold Cup, while the other half – including all those involved in the Northern Ireland peace talks – were attending a St Patrick's Day reception in the White House.

Bill Clinton, arrayed in a green tie and cufflinks sent by his Irish relatives, appealed to the party leaders to seize "the chance of a lifetime for peace", while his staff encouraged speculation that, if there is an agreement, he might visit Northern Ireland in May, during the referendum campaign.

David Trimble, the Ulster Unionist leader, was visibly uncomfortable with all this pressure, especially as the president urged him to meet Gerry Adams, leader of Sinn Féin. Mr Trimble calculates, probably with good reason, that such a meeting at this stage would not make it easier for him to sell any agreement to his own party. Indeed, the impression given that Mr Adams is the key figure on the nationalist side is unfortunate, giving an implicit premium to the threat of violence as against the broader electoral support enjoyed by the non-violent SDLP.

Still, if Mr Clinton can persuade Sinn Féin to acquiesce, however grudgingly, in an agreement that respects the wish of the majority to keep Northern Ireland within the UK, all the green flag-waving will have been well worth it. The biggest contribution he can make to peace is to make it crystal clear to the IRA that they should expect no glimmer of "understanding", let alone sympathy, for a return to violence on whatever pretext.

Futurology

The Chicago Board of Trade, the world's largest derivatives exchange, is committed to the maintenance of its open-outcry, floor-based trading system. The irony in the surprise decision to forge an alliance with Eurex, its Swiss-German counterpart, is that the move underlines once again the flexibility offered by electronic trading. When financial products are traded on networks of computers, linking two exchanges is almost as easy as sending an e-mail. The more difficult trick is to make such arrangements work in managerial terms. In an increasingly competitive derivatives market, the case for alliances is easily made. The link with Eurex will almost immediately double the pool of financial institutions with direct access to the CBOT's products. Another planned link with an as yet unrevealed Asian partner would widen the CBOT's catchment area further.

The new cross-Atlantic alliance can only increase the pressure on the London International Financial Futures and Options Exchange. Its decision last week to embrace electronic trading was forced upon it by a loss of market share to the electronic Deutsche Terminbörse, a founder of Eurex. An obvious response would be to team up with the Chicago Mercantile Exchange, the CBOT's main US rival, which now looks more exposed.

An alliance between Liffe and the CME would bring together potentially compatible cultures: the two exchanges share a commitment to open outcry trading, to which they attribute their leadership in short-term interest rate derivatives.

If it came about, such a move would result in the formation of two large trans-Atlantic trading blocs. CBOT/ Eurex would dominate the world's most actively traded long-term bond contracts in dollars and the planned European single currency. CME/Liffe would have a quasi-monopoly on short-term interest rate derivatives in the same currencies.

The CBOT's move seems in one sense half-hearted, because it fails to take full advantage of computerisation by offering cheaper trading. Instead, it will use the global electronic network chiefly to attract new business to its more expensive open outcry floor during the daytime. As a result, the planned alliance looks uncomfortably like the abortive link between DTB and the French exchange Matif, which fell through when Matif refused to abandon floor trading.

In the medium term, the derivatives landscape appears likely to become a loose network of electronic alliances operating in tandem with open outcry. In the longer run, cost cutting by way of computerisation will only take place when the CBOT summons up the courage to review its mutual ownership structure and confront those of its members who have a vested interest in the status quo.

Whether institutional investors – the main end-users of derivatives – will benefit from all this through cheaper dealing costs is a moot point. But in competition policy terms, the alliances need to be assessed in the context of the wider derivatives market. Increased availability of electronic trading and the growth of over-the-counter trading will, after all, make it easier for end-users to vote with their feet.

The biggest question in town

America faces critical choices over the future of its most popular spending programme. Nicholas Timmins reports on the debate over pensions reform

Tomorrow, Bill Clinton will chair a sort of nation-wide town-hall meeting: a 10-city teleconference on the issue which (sex scandals permitting) will help define his presidency: reforming the pension system.

Next year will see legislation to "save" social security, as the US pension system is known. Mr Clinton's aim now is to build a bipartisan consensus on reform. Next month, he will host the first of four conferences jointly run by two groups with perhaps the biggest stakes in the outcome, the American Association of Retired Persons (AARP), the group most concerned for the recipients of social security, and the Concord Coalition, the most influential lobby for fiscal discipline.

Over the past two weeks, all 420 first-year students taking MBAs in public policy at Harvard have done nothing but consider how to reform what is easily America's most popular public spending programme. "It is simply the biggest public policy question in town," says Jeff Liebman, at Harvard's Kennedy School of Government.

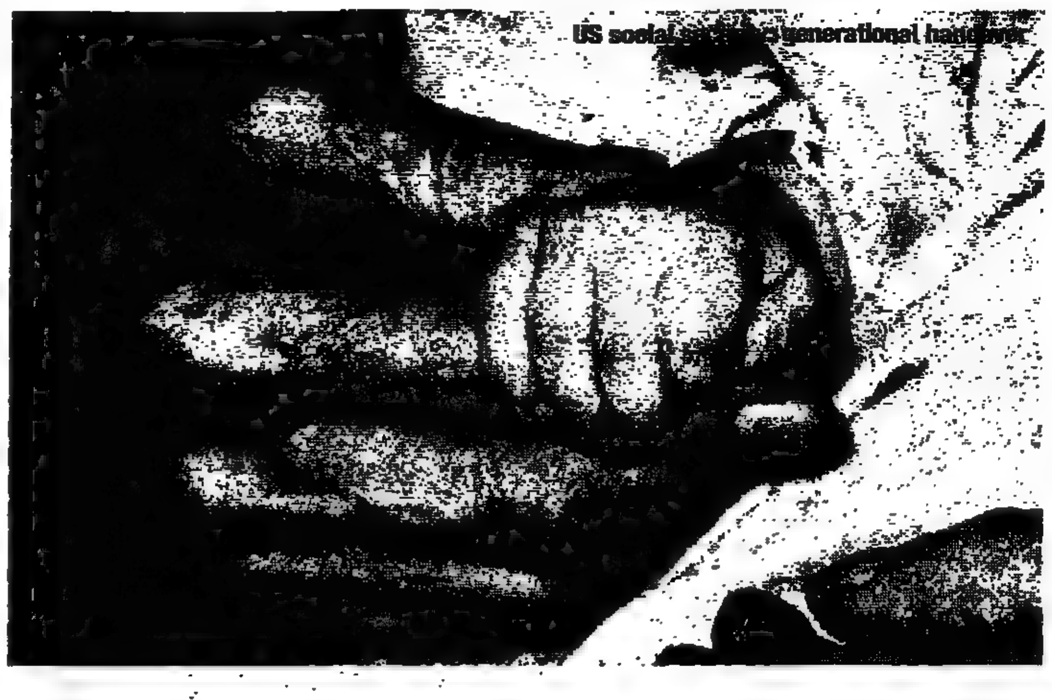
In a society strong on individualism and private rights, social security is an American paradox. A highly collectivist and redistributive programme, it uses "pay-as-you-go" payroll taxes of 12.4 per cent – split between employer and employee – to provide retirement pensions to 38m Americans and disability pensions to a further 5.5m. About 95 per cent of the population participates. Since the first monthly benefit of $22 was paid out to Ida May Fuller of Vermont in 1940, the programme's reach has become enormous.

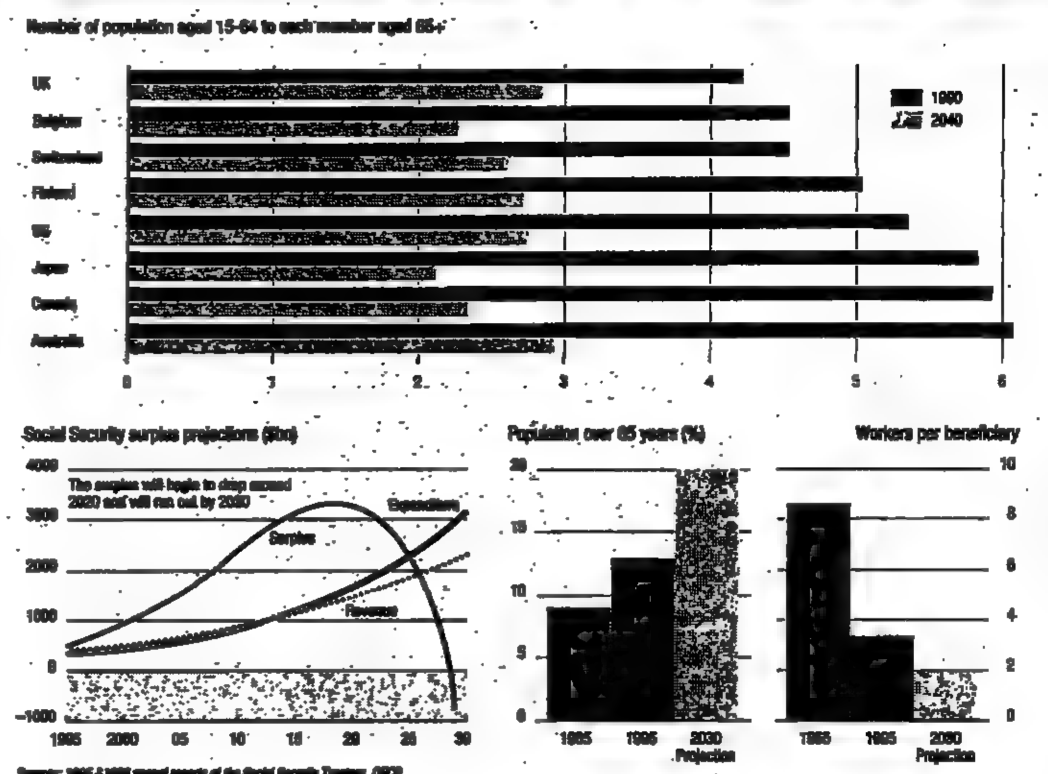
On average it provides about $750 a month and rises in line with prices. Without it, according to Kenneth Apfel, the social security commissioner, close to 50 per cent of retired Americans would be below the US poverty line. It is the major source of income for two-thirds of retirees and provides more than 90 per cent of income for a third. With a total pay-out of $350bn, "it is the nation's greatest anti-poverty programme", says Mr Apfel.

It is also in trouble – in the longer term at least. It suffers from the same mix of greater longevity, rising numbers of elderly and fewer workers per retiree that have afflicted pay-as-you-go pensions around the world. By 2030, the number of people above 65 will double to nearly 70m. The number of workers for each beneficiary will fall from 3.3 today to about 2.

The US crunch is middling by world standards. It is nowhere near as bad as that faced by Japan, but is appreciably worse than the UK's position. In Britain, the population is ageing less quickly and future state pension costs have already been cut. The risk in the UK is not that the system will go bust, but that people will retire on too small a pension: next week, the government will suggest there should be greater compulsion to save.

It was sometimes said that, compared with other countries, the US faces no pensions crisis. It is true that reforms in the 1980s led to the creation of a trust fund: payroll taxes were raised and put into Treasury securities as a way of pre-funding part of the scheme. As a result, more is raised than paid out and the fund has a $650bn surplus.





By 2012, however, contributions will cease to cover benefits; by 2029 the fund will be exhausted. At that point, if not before, either payroll taxes will have to rise substantially (most estimates put it at around a quarter) or benefits will have to be cut by the same amount. That is why, in spite of the apparently sustainable position, there is talk of a crisis and a presidential call to "save" social security.

In January's state of the union address, Mr Clinton proposed setting aside future budget surpluses (which should start this year) until the social security problem has been solved. It was a political masterstroke. Mr Clinton's call has proved popular; Republican leaders, who were planning to push for tax cuts, have been wrong-footed.

But the surplus – a few billions annually over the next few years, rising to some $600bn by 2008 – will not solve the problem. This is because the trust fund is something of an illusion. It consists of Treasury securities, not equities or hard cash. It is payroll tax revenue that is, in effect, being lent by one part of government to another to cover existing spending programmes.

Without the trust-fund surplus, the federal government budget would be deep in deficit, rather than heading for surplus. As it runs down, either taxes will have to be raised or other spending programmes will be cut. So

'America is about to discover that it needs to spend more and get less if it wants a secure old age'

reform of social security is in fact more urgent than might appear from calculations that money will run out only in 2029.

The air is thick with reform plans. These range from privatisation of the pension system, as has been done in Chile (favoured by conservative think-tanks such as the Washington-based Cato Institute) to more limited amendments to the current system (supported by the Brookings Institution). In between are the politicians who have until the year end to decide which ideas they wish to shape into policy.

At its simplest, three ideas are in play. One is to invest up to 40 per cent of the trust fund in equities, improving its rate of return. A second is to create small-scale mandatory individual accounts – say 1.5 to 2 per cent of wages – rather like UK personal pensions, to top up a scaled-back social security system. A third would take the individual account idea much further, investing all the employees' contributions in personal accounts.

The problem with all three reforms is the transition costs. Under them, the current generation of workers has to pay not only for existing retirees but also invest in its own pensions. If the third, radical plan were adopted, these costs would be enormous. Such problems affect any switch from a defined benefit, pay-as-you-go system, to a funded, defined contribution scheme.

The third is the least likely option. But the idea of more limited individual accounts is gaining ground. Americans have been seduced by a long bull market and the rapid expansion of small-scale, voluntary, personal pensions, known as 401Ks. These are purchased to top up social security payments; the trouble is that they provide too little on their own to live on and it is too easy to withdraw cash from them before retirement. All the same, the idea of such shareholding has spread. Republican leaders from Newt Gingrich, the Senate speaker, to John Kasich, chairman of the House budget committee, have begun to endorse such an approach. This week Daniel Patrick Moynihan, the Democrat senator, did the same.

Mr Clinton has been careful, so far, to make no proposals of his own. In this, he has taken on board the lesson of the 1994 healthcare debacle which was undermined by announcing detailed reform plans too early. His administration is divided on the idea of individual accounts. Advocates argue that, funded from the surplus or a cut in the payroll tax, they could be presented as "tax cuts". Their rate of return would be higher – perhaps 6 to 8 per cent on past stockmarket performance, against the roughly 2 per cent the social security system will produce. Individual accounts would raise national savings, and might reduce future safety-net spending.

Opponents argue that individual accounts expose unsophisticated investors to market risk, that they have high administrative costs, and that, as they grow, they will be subject to the same pressures for early withdrawal which weaken 401Ks as a retirement vehicle. Pressure for a safety net for unsuccessful investors could land the government with a huge future liability, particularly in periods when the market performs badly.

Personalised accounts could also be the wedge that splits social security. When savers start to see higher rates of return, they may demand that more of their contributions go into individual accounts. This would further threaten the funding of the existing system and pose huge financial problems if the budget moved back into deficit.

The alternative would be to invest say 40 per cent of the trust fund in the stock market. That could close more than a third of the funding gap, but raises its own problems. The sum invested would be huge and could distort the markets. There could also be political pressure not to invest in tobacco, or alcohol, or in unfriendly countries.

Advocates say that devising an independent board and an arms-length fund manager (as Canada has just done) would overcome such concerns. And while the fund would indeed be large, it may well amount to only 3-5 per cent of the $11,000bn US stock market. Extracting higher returns would support the present system, which offers both inflation-proofing and entitlements for survivors and the disabled. Private sector cover for these areas is expensive and is often left out of partisan calculations on the advantages of individual accounts.

At stake is whether the US opts for an individualist solution or sticks with a collectivist deal to "save" social security. Either way, some other unpalatable measures will probably be needed, such as bringing forward or increasing an already planned rise in retirement age and taxing benefits more heavily.

Like the rest of the world, America is about to discover that it needs to spend more and get less – at least from the state system – if it wants a secure old age.

OBSERVER

Frankfurters and might-have-beens

When British premier Tony Blair and Chancellor Helmut Kohl go into a huddle in Bonn today, they'll be chewing over how to break the epic impasse over who's going to be the first president of the European Central Bank.

There are signs that all sides are coming down against splitting the job between front-runner Wim Duisenberg, the Dutch head of the European Monetary Institute, and Banque de France governor Jean-Claude Trichet. The latest idea is that Duisenberg should be appointed for a full eight-year term on the understanding that he would step down after four or five – but nothing would be put in writing.

The question is whether this would be enough to placate President Jacques Chirac, who nominated Trichet. Insiders say Paris and Bonn are trying to work out a compromise. One idea is to give a Frenchman the new Brussels post of presenting the public face of EU foreign policy. Another is to reach a Franco-German consensus on the succession to Luxembourger Jacques Santer as European Commission president.

The vacant post of president of the European Bank of Reconstruction and Development could be thrown into the pot. It seems that the French actively pushed Belgian finance minister Philippe Maystadt, calculating that having a Belgian in London and a Luxembourger in charge in Brussels would make it impossible to have another Benelux man at the ECB in Frankfurt. That would leave the way free for Trichet.

The Germans saw through the ruse – and blocked Maystadt.

Second away

Quitting Coca-Cola looks like becoming a habit for Sergio Zyman, the 52-year-old Mexican marketing whizz who has been the leading force in Coke's advertising for much of the last 20 years. Madison Avenue is rife with speculation that Zyman, who first walked out in 1986, is about to resign again.

Zyman joined Coca-Cola in 1979 and was credited with successes including the launch of Diet Coke and the "Coke is it" ad campaign. But his abrasive, unconventional manner put some noses out of joint and, after the disastrous launch of New Coke, he left to work as a consultant.

In 1993 Douglas Ivester, then head of Coca-Cola USA, brought him back as chief marketing officer. Ivester took over as chairman and chief executive last year, but appears to have no plans to accommodate Zyman's desire for a step up.

Zyman is said to be fizzing – and studying possible alternative careers at the likes of Microsoft and Nike.

Swede revenge

Insouciant Swedish ministers who shrugged off threats by leading multinational corporations that high taxes would drive business aboard might get some egg on their faces.

It isn't just that telecommunications giant Ericsson is thinking of moving its headquarters to London – patience with Sweden's swingeing taxes is under strain elsewhere. Several big companies, such as pharmaceuticals group Astra, are miffed about the impact of high income tax on their ability to bring in foreign staff and retain their top researchers.

Ericsson chief executive Lars Ramqvist has been complaining for years, but Social Democratic ministers kept dismissing the gripes as hot air. Now the boot may be on the other foot – any decision by Sweden's largest company to shift corporate functions overseas will be a political bombshell in a general election year.

No wonder ministers are scampering to set up a system of tax breaks for foreign expatriates on secondment in Sweden, which business leaders are already denouncing as inadequate. To make matters worse, companies are discovering other reasons to move out – like better access to markets. The stable door may have been bolted too late.

Checked out

Lamar Alexander's bid for the Republican presidential nomination in 1996 always looked a bit odd. The multi-millionaire who had held senior posts in the Reagan administration posed as a political outsider and a man of the people – wearing plaid (checked) shirts in an absurd attempt to enforce the image.

Now he has published Lamar Alexander's Little Plaid Book, a set of mainly feeble *bons mots* on running a campaign, from the self-justificatory "tell the truth. It's the right thing to do and it will confuse your opponent" to the humdrum "never have more chairs than people at political events".

He has had 50,000 copies of a slim 64-page version printed to give away at Republican gatherings and other functions. It seems that Alexander is rolling up his checked sleeves for another abortive assault on the White House in 2000.

Martine mouthpiece

European Commission president Jacques Santer is about to abandon his cautious habits and name Martine Reicherts as his next spokesperson – the first woman to get the job. Currently the president's deputy chief of staff, she is first choice to succeed Klaus van der Pas, the urbane spokesman who is to head the new Brussels task force overseeing enlargement talks.

Reicherts, a Luxembourger, is known as a talented bureaucrat with a short fuse. She is close to Jim Cloos, chief of staff, and knows Santer's strengths and weaknesses. But she is generally wary of journalists.

Her appointment is causing trepidation inside the bloated spokesmen's service. Under van der Pas, the 19 other EU Commissioners have been largely free to run their own publicity machines. That may be about to end.

The Financial Times 50 years ago

Aircraft Industry In Trouble
Let me start this article by admitting that the aircraft industry has been, and maybe still is, in trouble. No industry can go through 2½ years of planned and organised chaos without being somewhat battered in the process. However, it is time the aircraft industry was given its just accord, that its achievements were praised and not belittled. Rolls-Royce continue their triumphant way in aircraft engine manufacture, with further developments in jet engines. Their latest triumph is that Nene turbojet engines are to be made under licence in America for the U.S. Navy's latest carrier-borne fighter, the Panther. Furthermore the Saunders-Roe SR/AI, a pure jet flying-boat fighter, the first of its kind in the world, is in production.

Synthetic Rubber In The U.S.
Washington, March 19. The Senate Banking and Currency Committee has unanimously approved a Bill continuing Government production and control of synthetic rubber until June 1950. A radically different Bill was passed in by the House in February, and the differences will have to be ironed out. The Senate Bill has the avowed purpose to get the Government out of the rubber business at the earliest practical date consistent with national security.

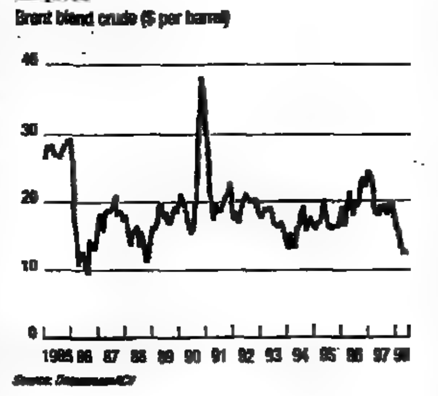
FINANCIAL TIMES
FRIDAY MARCH 20 1998

THE LEX COLUMN

Drilling pain

To the joy of oil bulls, Venezuela's economic pain threshold appears to be $12-13 dollar per barrel. The rapidly rising economic and political costs of the nine-year low explain Caracas's calls yesterday for all oil producers – Opec and non-Opec alike – to cut oil output. After all, every dollar drop in the price costs Venezuela, Opec's main quota buster, $1.1bn in gross revenue. While its squeals of pain may underpin the oil price at current levels, hopes that the dispute over market shares within Opec will settle quickly are probably misguided. Making such a resolution contingent on the good behaviour of non-Opec members suggests Venezuela is not yet feeling enough pain.

None the less, if disagreement over production volumes and market share between Saudi Arabia and Venezuela continues, lower prices should in any case eventually boost demand. Furthermore, the 40 per cent fall in prices since last October has already started to depress investment in exploration and production, particularly by higher cost producers. This, in time, should result in the erosion of oversupply. At present rates of demand growth, the current oversupply of some 4 per cent of global consumption could be eroded in under two years. With producers under pressure at this price level, today's 48-cent rise will need to be followed by further increases for a new long-term equilibrium to be reached.



Axa-UAP

The virtues of domestic mergers in an oversupplied insurance industry were amply demonstrated yesterday by Axa-UAP. It is ahead of its self-imposed targets on earnings per share growth and return on equity; and merger savings are now forecast at FFr1.8bn ($290m), up from FFr1.2bn-FFr1.5bn. Claude Bébéar, chairman, mentions profit as often as any of his Anglo-Saxon counterparts; even prestigious clients are turned away if the new policy will not pay. That said, Axa's style is to err on the conservative side in setting its goals. The deadline for a 15 per cent ROE remains a rather ill-defined "medium term" aim.

The group still has scope to bring the formerly state-owned UAP up to Axa efficiency levels, and to glean further economies of scale in asset management and technology. But to secure 15 per cent earnings growth into the next millennium, it will need to fill some gaps. In Europe and the US, its problem – like that of its peers – is the high price of targets. Hence its talk yesterday of a window of opportunity in Japan. This contrasts with the combined moves made recently in France by Germany's Allianz, and in Germany – where Axa is under-represented – by Italy's Generali.

Axa's route is to invest in a global brand to try to ride the internationalisation of asset management. Closer to home, like Commercial Union/General Accident, it is keeping itself busy with achieving merger management, hoping others will make mistakes that cut their prices.

UK monetary policy

Can the Bank of England defeat inflation without also strangling exporters? The conventional answer is "no"; after all, the prospect of higher interest rates needed to contain inflation is driving sterling ever higher.

But there is one way the Bank's monetary policy committee (MPC) might just manage to have its cake and eat it. Why not announce – as New Zealand's central bank does – where it sees interest rates heading over the next year or so? The chances are that this would show an upward blip in the short run followed by a steady downward trend thereafter. At present, currency traders are irrationally focusing just on the likelihood that the next move in interest rates will be up. Faced with an official projection that they would then fall, traders would find it much harder to pump up the pound. Some MPC members are keen to make such forecasts, but there are also doubts. One is that the MPC might change its mind about the best path for interest rates. True, but that is hardly a knock-out objection; there is no shame in adapting policy to meet changing economic circumstances. In any case, it would make sense to publish a range of forecasts, like the MPC does for inflation, rather than a single line.

Another worry is that MPC members might find it impossible to agree where interest rates are heading. After all, they are finding it hard enough to agree where they should be now. Again, the objection is not decisive; there is probably more consensus about next year than next week.

Chase Manhattan

It is an open secret that Chase Manhattan has been shopping for an investment bank. As a strategy that looks perfectly reasonable. Much of Chase's traditional banking business – taking deposits and making loans – is gradually withering. Investment banking, by contrast, offers opportunities for growth as well as fatter margins, particularly where equities and corporate finance advice are involved.

These, however, are precisely the areas where Chase is weak. And since building a worthwhile position in equity underwriting or M&A is time-consuming, an acquisition is the obvious alternative. Bagging Merrill Lynch, Goldman Sachs or even J.P. Morgan would surely be Chase's preferred choice – catapulting it straight into the superleague. The catch is that all have rejected Chase's advances. And the price tag would be huge: Merrill would cost more than $30bn and J.P. Morgan close to that. While Chase, capitalised at nearly $60bn, can probably afford them in a friendly deal, a hostile takeover would be all but impossible. It would probably destroy value too, as the knives came out.

Buying a second-tier firm like Donaldson, Lufkin and Jenrette or PaineWebber might seem an acceptable alternative. But that would still not guarantee Chase's entry to the superleague. So its best policy is probably to sit on its hands and hope a bear market forces even the big investment banks to reconsider their jealously guarded independence.

Japan trade surplus jumps 88% as imports collapse

By Paul Abrahams in Tokyo

Japan's politically contentious trade surplus jumped 88 per cent last month, compared with February 1997, as imports collapsed.

Imports fell 15 per cent against the same month last year, the biggest decline since May 1992.

The fall underlined the fragility of Japan's economy, which is expected to post negative growth in gross domestic product this financial year, the first year the economy will have contracted since 1974.

The sharp rise in the surplus is also expected to increase pressure on Tokyo from the US and other trading partners.

They have become increasingly alarmed by Japan's export boom and low level of imports.

The trade surplus with the US in February increased 32.9 per cent, and with the European Union 75 per cent.

However, the Japanese appear to be becoming increasingly irritated by American pressure on the matter. This week Kunihiko Saito, Japanese ambassador in Washington, criticised a White House official for spelling out how much Tokyo should spend.

On Monday Gene Sperling, President Bill Clinton's top economic adviser, said Japan should boost the economy with "real" measures worth between Y8,000bn ($62bn) and Y10,000bn.

Mr Saito said: "It is not constructive for a US official to comment publicly on Japan's economic measures, which the Japanese government has the right to decide on its own."

The government is expected to announce a package of economic measures next week.

It is unclear how much longer the Japanese economy can depend on exports to compensate for drooping domestic demand.

Despite the big increase in the trade surplus, exports in February rose only 2 per cent compared with the same month last year, held back by the Asian economic crisis.

Exports to Asia fell 11.9 per cent overall, with those to Korea falling 38 per cent, those to Thailand down 41 per cent, to Malaysia down 24 per cent and to Indonesia down 56 per cent. Asia accounts for about 35 per cent of Japan's total exports.

Export growth was sustained by trade with the developed world. The growth of Japanese exports to the US slowed to only 7.2 per cent, but exports to Canada were up 20 per cent.

Exports to the EU continued to expand rapidly, rising 17.5 per cent. Britain was among the fastest growing European markets for the Japanese, with exports up 23 per cent.

Imports were held back by the low price of oil, according to Peter Morgan, economist at HSBC James Capel in Tokyo.

Imports from every Asian country were down, with Malaysia, Vietnam and Indonesia suffering the biggest falls, down respectively 22 per cent, 23 per cent and 30 per cent.

● The Asian crisis hit US trade figures as imports flooded in and exports fell, according to figures released by the Commerce Department yesterday. The goods deficit rose $1.1bn to $18.8bn, a record high.

Budget consensus, Page 4

Chubais launches fresh 'reform attack' but defends state role

By John Thornhill in Moscow

A "spring reform attack" was announced yesterday by Anatoly Chubais, Russia's first deputy prime minister, who said the government needed to bolster its finances and strengthen the state if it wanted to escape the Asian economic turmoil.

"The only way to protect Russia from the world financial turbulence is to be stronger, tougher, more aggressive on the reform-oriented policy conducted by the Russian government," he said.

Mr Chubais, who appears to be reasserting his influence in the Kremlin, said the government had a good chance of implementing a realistic budget this year, helping to eliminate the scourge of non-payments in the economy.

The government would also speed up privatisation, pursue a more aggressive bankruptcy policy and protect property rights for Russian and foreign investors.

But in a meeting with foreign reporters, Mr Chubais also made an impassioned argument for strengthening the powers of the state. He said it was intolerable that the influence of Russia's "oligarchs" over state security organs was greater than the government's.

He said the state must perform a few basic functions properly rather than trying to do too much poorly. "More than half of what the state does it does badly, crudely, ineffectively or simply disgracefully," he said.

"Who will collect taxes apart from the state? Who will conduct anti-monopoly policies apart from the state? Who will fight corruption apart from the state? Who will fight crime apart from the state?

"In all these spheres the situation is very far from good, very far from satisfactory. In these areas I support the strengthening of the state."

Asserting his claims to be an economic liberal, Mr Chubais emphasised that he did not wish to broaden the state's powers, as opposition parties demanded.

He said the state found it hard enough to manage 1,500 companies, let alone the 1.5m concerns that it had run in Soviet times.

The government would press ahead with its privatisation programme, he said, selling another 24 per cent of Svyazinvest, the national telecommunications company, and probably a 75 per cent stake in Rosneft, the last big state-owned oil company.

Mr Chubais promised there would be no restrictions on foreign participation in the Rosneft privatisation.

Although Mr Chubais accepted he had close relations with several powerful businessmen, he said this did not prevent him from acting independently.

"I have a number of crony friends among these banks, but that does not mean that I will sell them something at the wrong price," he said.

● Boris Yeltsin, president, is still recovering from his respiratory infection but will definitely host a summit in Yekaterinburg next week with Jacques Chirac and Helmut Kohl, the French and German leaders, Kremlin officials said yesterday.

Democracy at stake, Page 2

CONTENTS

India's president K.R. Narayanan, left, swears in the country's new prime minister, Atal Bihari Vajpayee, in New Delhi. Page 6

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com
The Archive: online archive of back issues of the newspaper since July 1996.
http://www.archive.FT.com
Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm
FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm
Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm
Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2386.htm

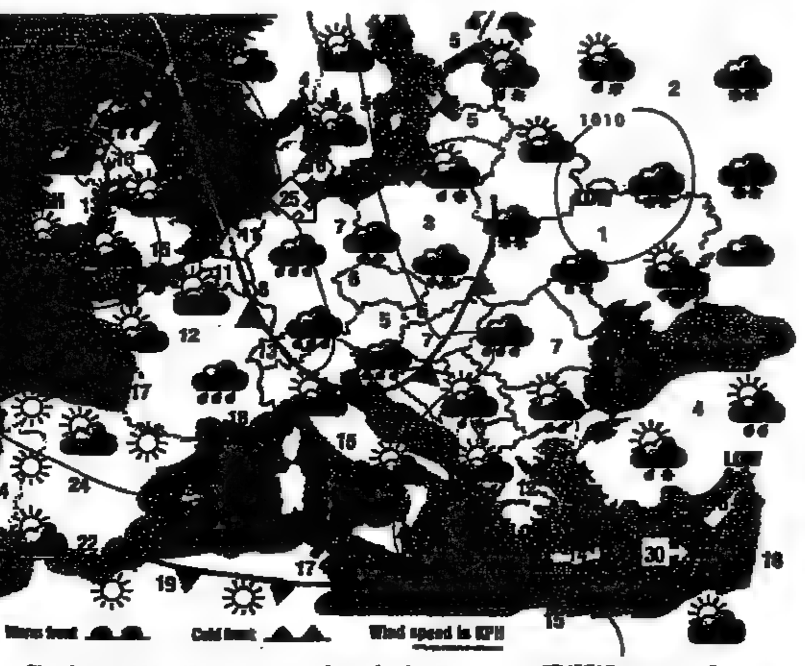
FT WEATHER GUIDE

Europe today

Eastern Europe will be wet and cold, with heavy rain followed by sunshine and wintry showers. The eastern Mediterranean will stay cool, with heavy showers or thunderstorms. There will be sunshine in the rest of the Mediterranean, especially the west. Central Europe will have rain, with snow in the Alps. The north-west will be mostly dry, mild and bright, but Scandinavia will have wintry showers, mostly over north-west Norway and the eastern Baltic coast. Temperatures will be above zero in most areas.

Five-day forecast

Thundery showers over the eastern Mediterranean will clear, but return next week, and it will stay cold. There will be some heavy rain in the central Mediterranean, but the west will stay sunny. Eastern Europe and Scandinavia will have more wintry showers, but the north-west will stay dry.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	31
Accra	Fair	29
Algiers	Sun	19
Amsterdam	Drzzl	11
Athens	Rain	12
Atlanta	Shower	19
B. Aires	Fair	24
B.ham	Cloudy	14
Bangkok	Sun	35
Barcelona	Sun	18
Beijing	Fair	11
Belfast	Cloudy	13
Belgrade	Hail	7
Berlin	Shower	6
Bermuda	Shower	24
Bogota	Fair	20
Bombay	Sun	32
Brussels	Drzzl	10
Budapest	Shower	7
C.hagen	Fair	7
Cairo	Fair	19
Caracas	Sun	29
Cardiff	Fair	13
Casablanca	Sun	22
Chicago	Sleet	2
Cologne	Rain	10
Dakar	Sun	26
Dallas	Fair	18
Delhi	Sun	32
Dubai	Sun	26
Dublin	Fair	13
Dubrovnik	Fair	13
Edinburgh	Fair	13
Faro	Sun	20
Frankfurt	Rain	9
Geneva	Fair	13
Gibraltar	Fair	20
Glasgow	Fair	13
Hamburg	Shower	7
Helsinki	Sleet	5
Hong Kong	Fair	23
Honolulu	Fair	25
Istanbul	Shower	8
Jakarta	Cloudy	33
Jersey	Fair	12
Johannesburg	Fair	27
Karachi	Sun	32
Kuwait	Fair	24
L. Angeles	Sun	23
Las Palmas	Sun	25
Lima	Fair	30
Lisbon	Sun	24
London	Fair	15
Lux.bourg	Drzzl	8
Lyon	Sun	15
Madeira	Fair	21
Madrid	Sun	24
Majorca	Sun	19
Malta	Fair	17
Manchester	Fair	14
Manila	Cloudy	32
Melbourne	Fair	24
Mexico City	Sun	26
Miami	Shower	26
Milan	Sun	18
Montreal	Sleet	1
Moscow	Sleet	1
Munich	Rain	7
Nairobi	Fair	28
Naples	Fair	15
Nassau	Fair	29
New York	Rain	12
Nice	Fair	16
Nicosia	Fair	18
Oslo	Sun	10
Paris	Fair	12
Perth	Shower	25
Prague	Hail	5
Rangoon	Sun	35
Reykjavik	Rain	9
Rio	Fair	28
Rome	Fair	15
S. Frsco	Sun	18
Seoul	Fair	10
Singapore	Fair	35
Stockholm	Hail	5
Strasbourg	Shower	11
Sydney	Fair	28
Tangier	Fair	21
Tel Aviv	Thunder	16
Tokyo	Rain	16
Toronto	Cloudy	3
Vancouver	Cloudy	16
Venice	Fair	15
Vienna	Rain	6
Warsaw	Sleet	3
Washington	Fair	18
Wellington	Shower	19
Winnipeg	Cloudy	0
Zurich	Hail	10

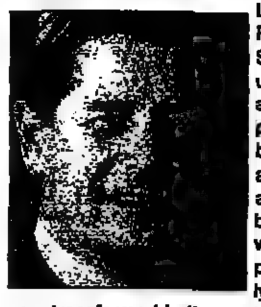
FINANCIAL TIMES
COMPANIES & MARKETS
FRIDAY MARCH 20 1998 — Week 12

INSIDE

Fidelity closes funds to new money
Fidelity Investments, the world's largest mutual fund manager, announced it was closing three of its biggest funds to new investors because of fears that the record flows of cash into the funds might damage their investment performance.

Germans seduced by cheaper calls
Cheaper phone calls and new services are wooing customers in Germany's newly competitive telecommunications market away from Deutsche Telekom, the former state-owned monopoly. Page 25

Trouble brews in French utility



Less than a year after France's Compagnie de Suez merged with French utility Lyonnaise des Eaux, analysts are warning of a possible showdown between the new group and one of its prize assets, Belgium's Tractebel, which is one of the world's fastest-growing power producers. Analysts say Tractebel's strategy, transformed in the past nine years under chief executive Baron Philippe Bodson (above), could put it on a collision course with its parent group. Page 26

Bonds dip in nervous session
Government bond markets closed lower in nervous trading after evidence of a rise in US inflation and an interest rate rise in Finland brought the possibility of generally higher rates into focus. Activity was subdued in both the cash and futures markets. Page 30

US regulator to review OTC trading
The Commodity Futures Trading Commission, the US regulator for the futures industry, will consider whether its 1993 exemption for most "over-the-counter" derivatives needs revision, as part of a general review of OTC trading. Page 32

South Korean debt refinancing
The strong response to South Korea's debt refinancing programme should encourage rating agencies to upgrade the country's credit rating and pave the way for its return to international capital markets. Page 30

Schering revises governance rules
Schering, the pharmaceuticals group, is the latest German company to announce corporate governance changes aimed at bringing the country's business practices in to line with global standards. Page 26

Tomen targets shareholder value
Tomen, Japan's seventh largest trading company, has adopted a radical restructuring programme aimed at transforming it from a sprawling and inefficient conglomerate into a tightly focused group with an Anglo-American zeal for maximising profits. Page 24

Drought hits Vietnam coffee crop
Traders in Vietnam's main coffee-growing province of Daklak said a drought was starting to affect prospects for the current crop, although it was too early to make an assessment of damage. Page 32

COMPANIES IN THIS ISSUE

CROSSWORD, Page 32

MARKET STATISTICS

Alcatel shares rise on sell-off plan

Telecoms group to dispose of engineering activities

By David Owen in Paris

Shares of Alcatel Alsthom surged above FFr1,000 for the first time yesterday after the French telecoms and engineering group announced plans to sell most of its engineering and systems activities to GEC Alsthom.

Completion of the deal – involving businesses with FFr25bn ($4bn) in annual sales – is expected before June when GEC Alsthom, a power engineering and transport joint venture between Alcatel and General Electric Company of the UK, is due to be floated.

That month is also expected to bring the conclusion of arrangements for the planned defence electronics alliance with Thomson-CSF, Aerospatiale and Dassault.

The result will be a reshaping that enhances the company's telecoms focus and deconsolidates about FFr60bn from annual sales.

Serge Tchuruk, chairman of Alcatel, said: "1998 will be a year extremely rich in events of all sorts for Alcatel."

His message was welcomed by the market. Shares in the company closed up FFr65, or 6.9 per cent, at FFr1009, after sweeping past the FFr1,000 mark in early afternoon. This compared with a modest 1 per cent advance for the benchmark CAC 40 index.

Yesterday's developments came as the group announced a near 75 per cent improvement – from FFr2.7bn to FFr4.7bn – in annual net income, marginally above previous estimates.

Denis Branche, a Paris-based electronics analyst with Cholet-Dupont, said the market was responding in part to evidence that the group's restructuring plan was proceeding as expected.

He welcomed the decision on the Cegelec engineering and systems activities, pointing to their "weak profitability" and "strong complementarities with GEC Alsthom".

The improvement in profits was in spite of FFr500m of provisions registered "in light of the deteriorating crisis" in four south east Asian countries: Indonesia, Malaysia, the Philippines and Thailand.

The company said the four countries concerned represented less than 5 per cent of 1997 group sales of FFr185.9bn, up from FFr162.1bn the previous year.

Operating income climbed to FFr8bn from FFr2.9bn, mainly due to the improved performance of the telecoms unit.

This contributed income of FFr3.1bn on sales of FFr82.9bn, after a FFr1bn loss in 1996.

Cables and components edged up to FFr2.9bn on sales of FFr48.4bn.

Engineering and systems improved to FFr400m on sales of FFr27.9bn, after a FFr200m loss on sales of FFr22.4bn in 1996.

Under an agreement outlined in December, Alcatel and GEC will each retain 24 per cent in GEC Alsthom, with the remaining 52 per cent to be listed on the Paris, London and New York exchanges.

It was estimated that the flotation could value the company at $6bn-$7bn.

A net dividend of FFr11.50 is proposed – up 15 per cent. Fully diluted earnings per share reached FFr29.13, against FFr17.45.

Top-level doubts on Lockheed takeover of Northrop

By Alexander Nicoll, Defence Correspondent

A senior US government official yesterday cast further doubt on Lockheed Martin's proposed $9bn takeover of Northrop Grumman, the US aerospace group.

John Hamre, US deputy defence secretary, said undertakings made by the two defence contractors on preserving competition after a merger were not sufficient.

"The companies offered a set of behavioural remedies," Mr Hamre said during a brief visit to London. The remedies consisted mainly of a code of conduct for purchasing components for weapons systems.

Although the Pentagon had "absolute confidence" in Lockheed's top executives, it would still have to make its own assessments about whether the merged group was making the right purchasing choices.

This would give the Pentagon a role in management of programmes from which it was seeking to exit.

"Behavioural remedies in our view aren't sufficient, and frankly having the competitive environment is preferable," Mr Hamre said.

As negotiations continued between Lockheed and Northrop Grumman on one side and the Justice Department and the Pentagon on the other, the war of words between the two sides escalated in Washington.

Lockheed said the government was seeking "unprecedented divestitures" before approving the deal and that the Justice and Defence departments would go to court to block it if the companies did not meet their demands by Monday.

Lockheed said it was also ready to go to court but would continue to negotiate.

Janet Reno, US attorney-general, confirmed that the government would file suit to block the merger if no deal was reached. "We've given everybody concerned some more time to try to address the issues and I expect that this will *happen within* the next several days," she said.

The government has been considering whether to require both companies to dispose of their electronics businesses, which have annual sales of about $4bn.

Mr Hamre said the government was concerned about horizontal integration, with the merger creating virtual monopolies in some areas of electronics.

It was also worried about vertical integration, with the merged group being able to *handle all sensitive parts of a* weapons programme without contracting them out.

The Pentagon's policy on fostering consolidation of the defence industry had not changed. "We've always wanted to encourage mergers without threatening competition," he said.

But this merger would bring significant market concentration, especially in electronic counter-measures, in which the merged group would have 75-90 per cent of the market; in airborne radar, undersea warfare and mine warfare.

The merger would produce efficiencies, but also what Mr Hamre called "management challenges".

"I think we've concluded that the management challenges pose a greater risk than we felt we could sustain given the promise of savings."

MAJOR LEAGUE TEAM WILL BOOST RUPERT MURDOCH'S FOX TV NETWORK IN RACE WITH DISNEY'S ESPN

Baseball backs $300m sale of LA Dodgers to News Corp

By Christopher Parkes in Los Angeles

Rupert Murdoch's News Corporation yesterday took possession of the Los Angeles Dodgers after major league baseball's franchise owners nodded through his $300m-plus bid for the last family-owned team in the game.

The expected approval, seen as a decisive stage in the shift of team ownership to large media corporations, was given soon after reports surfaced that Cablevision had moved to tighten its grip on New York sports with a $500m offer for the New York Yankees.

News Corp's Fox television network, an aggressive group in US and international sports broadcasting, already has contracts with 22 of the 30 major league baseball teams.

Control of the Dodgers, one of the few teams known internationally, will play an important role in the company's challenge to Walt Disney's ESPN sports television arm.

Despite an intervention by Ted Turner, vice-chairman of Time Warner, which owns the Atlanta Braves, the owners gave overwhelming backing to the Dodgers' deal. The only votes against the sale came from the Atlanta Braves and Chicago White Sox. The New York Mets abstained.

Tom Schieffer, president of the Texas Rangers, said News Corp had been a good partner to baseball, "and that's what carried the day".

News Corp, while known for its aggressive tactics in the marketplace, adopted a diplomatic approach to the protracted process of buying the team. The new management for example, is led by Bob Graziano, the team's former executive vice-president, and the former majority stakeholder, Peter O'Malley, will remain as chairman – "off to the side", as he said yesterday.

The O'Malley family, which had controlled the team since 1950, when it was the Brooklyn Dodgers, moved the franchise from New York in 1957 in a migration that took the national game coast-to-coast. It put it up for sale more than a year ago and quickly settled on News Corp, which offered an unprecedented price, as its sole negotiating partner.

News Corp's offer, compared with the previous record of $173m for the Baltimore Orioles in 1993, immediately raised the stakes in a business already substantially in the grip of big business.

Walt Disney controls the Anaheim Angels and the Mighty Ducks hockey team; Tribune Co owns the Chicago Cubs and Cablevision has bought New York's Madison Square Garden complex and two of its tenants, the Knicks basketball team and Rangers hockey squad.

George Steinbrenner, who owns 55 per cent of the New York Yankees, said there was "nothing definitive" in his talks with Cablevision.

David Cone pitching for the New York Yankees. Cablevision offered $500m for the team as News Corp bought the LA Dodgers. Picture: AP

Ford arm to pay $615m for lender in Japan

By Bethan Hutton in Tokyo and John Authers in New York

Daiei, the Japanese supermarket group, is to sell a consumer finance company to Associates First Capital, one of the largest US consumer lending companies.

Associates, a majority-owned independent subsidiary of Ford Motor, is to pay Y80bn ($615m) for Daiei's 90 per cent stake in DIC Finance. The deal should be finalised by May, shortly after Ford's remaining shares in Associates have been spun off to Ford shareholders, an event planned for April 7. Daiei said it would also be repaid Y50bn which it had lent to the company.

DIC Finance, based in Osaka, has 1,100 employees and 208 branches in Japan, making it the ninth largest Japanese consumer lender, according to Associates. After the acquisition, Associates will become the sixth largest finance company, and the largest foreign-owned consumer lender in Japan, with 3,000 employees, and net receivables of about $4bn.

Keith Hughes, Associates' chief executive, said: "DIC has an extensive branch distribution network, augmented by automated teller and contract machines, that will complement our existing operations in Japan."

GE Capital, the financial services arm of General Electric, is also developing its Japanese consumer finance business.

Daiei aims to reduce debt from Y2,600bn to Y1,000bn by the end of the 2001 financial year. It has already announced plans to float several companies and sell off assets. It is also restructuring its operations, and closing some supermarkets.

The shares in DIC Finance are held jointly by the two main listed companies in the Daiei group: Daiei Inc, the supermarket operator, and Daiei OMC, a consumer credit company. Daiei would not detail plans for the proceeds from the sale, but one likely target is to reduce bad loans at Daiei OMC.

This year Daiei Inc expects a pre-tax loss of Y25bn, compared with last year's pre-tax profit of Y591m. Daiei OMC last year posted a net loss of Y34bn, and expects a marginal net profit this year. Both companies are also taking heavy losses on their securities portfolios.

Brussels brands Crédit Lyonnais accounts 'illegal'

By Andrew Jack in Paris and Emma Tucker in Brussels

A new dispute over Crédit Lyonnais erupted yesterday when the European Commission condemned as "illegal" *the presentation of the French* state-owned bank's 1997 accounts only minutes after they were published.

Jean Peyrelevade, Crédit Lyonnais' chairman, yesterday afternoon announced a sharp jump in net income last year to FFr1.1bn ($180m) after special payments of FFr850m to the French state which were agreed under its 1995 rescue plan. However, the figures had been adjusted to exclude the cost of a loan made at below market interest rates which the bank was forced to make *as part of the plan. These were* estimated at FFr3bn last year.

The bank's calculation anticipated changes in a revised rescue plan which is still the subject of discussion between the French government and the European Commission, but which officials had hoped to agree at least in outline ahead of yesterday's results.

Mr Peyrelevade stressed that the treatment "does not prejudice Brussels' decision" and had been approved by the bank's auditors. "I simply hope it will come before the agm in June," he said.

But Karel Van Miert, the European competition commissioner, issued a statement yesterday evening stating that removing the FFr3bn amounted to additional aid that had not yet been approved by the Commission and which was consequently illegal.

The dispute highlights the continued tensions as French and EU officials attempt to resolve their differences over changes to the largest state aid rescue plan ever examined by Brussels.

The *original rescue plan for* Crédit Lyonnais was approved in 1995 and allowed state aid of up to FFr45bn. But the full extent of the bank's losses and the approach subsequently used to sell its rotten assets mean that the final cost to the taxpayer is likely to be at least twice that level.

But Mr Van Miert has taken an increasingly tough line in public towards the Crédit Lyonnais case, and expressed frustration at the way in which both the bank and the French government have *handled negotiations.*

Dominique Strauss-Kahn, France's economics, finance and industry minister, said yesterday morning that he hoped "a reasonable solution" over the revised plan would be agreed "within the next few weeks".

Disagreements are believed to remain over the quantity of Crédit Lyonnais' banking operations which must be sold in exchange for a revised plan, and the cap placed on additional state aid, the ultimate costs of which have been placed as high as FFr190bn.

Mr Peyrelevade said the bank was "mid-way" towards meeting an objective in the previous plan of halving the size of its "commercial presence" in Europe outside France by the end of this year, and said he expected that target to be met.

HONG KONG CONGLOMERATE HURT BY REGIONAL DOWNTURN AND TUMBLING PROFITS AT INVESTMENT BANKING JOINT VENTURE

Jardine Matheson rise below expectations

By John Ridding in Hong Kong

Jardine Matheson, the Hong Kong-based conglomerate, yesterday announced 1997 net profits up 8 per cent at US$325m as plunging profits at Jardine Fleming and provisions against Asia's economic turmoil sent results well below expectations.

Excluding exceptional items, profits fell 21 per cent to $292m.

Jardine Fleming, the group's investment banking joint venture, saw profits after tax and minorities drop from $82m to $14m. The impact of the regional crisis on the conglomerate's engineering and construction businesses also hit results at the trading level.

Henry Keswick, chairman, warned the group would face increasing pressure on profits this year as a result of the Asian downturn, but said the strength of its balance sheet and recent restructuring would help the group benefit from regional recovery.

Despite the sharp fall in profits at Jardine Fleming and a warning of continued difficult trading conditions in 1998, the group said steps had been taken to reduce costs at the investment bank and that currency hedging had protected its balance sheet. At the end of 1997, net assets after currency translation were $469m against $481m a year earlier.

Funds under management at Jardine Fleming Investment Management fell from $21bn at the end of 1996 to $17bn at the beginning of 1998, but the group pointed to good performances across its range of portfolios.

Net profits were boosted by a gain of $130m on the sale of Jardine Pacific's life assurance business, although this was offset by provisions for regional investments. A provision against the fall in value of EON, the Malaysian motor distributor, led to an exceptional charge of $47m.

The group said it would remain focused on Asia. "Over the past few years we have restructured our businesses, strengthened our management and disposed some of our peripheral businesses," said Alasdair Morrison, managing director. "That puts us in a much stronger position once Asia recovers, as we are sure it will."

Jardine said its balance sheet, with gearing in low double digits, would enable it to expand in core businesses. Last month, Dairy Farm, the group's retail arm, took a 31 per cent stake in Hero, Indonesia's largest supermarket company.

While Dairy Farm was a bright spot, other divisions saw profits fall. Jardine Pacific, which includes consumer-related activities, saw profits from continuing operations slip 4 per cent to $94m. Hongkong Land, the property arm, and Mandarin Oriental, the hotels division, both saw earnings fall sharply owing to the regional downturn.

Group turnover fell from $11.61bn to $11.52bn, while earnings per share rose from 51.63 cents to 55.95 cents. Excluding exceptionals, earnings fell 21 per cent to 30.28 cents.

A final dividend of 17.20 cents gives an unchanged payment for the year of 25 cents.

Jardine Strategic Holdings slides 36% in year to US$193.9m

Jardine Strategic Holdings, the holding company and lynchpin of the group, yesterday posted a 36 per cent fall in net profits last year from US$301.9m to $193.9m, writes **Louise Lucas in Hong Kong**.

Excluding non-recurring items, profits fell 19 per cent to $257m.

Non-recurring items related chiefly to closure costs at Dairy Farm, the food retailing arm, profits from the sale of the parent's life assurance business, and provisions against the company's investment in EON of Malaysia.

The group said most of its businesses had felt a "wide-ranging effect" from the Asian crisis, including engineering and construction in Thailand, investment banking throughout Asia and hotels in Hong Kong and south-east Asia.

Earnings per share dropped 36 per cent to 24.23 cents, or 19 per cent to 32.06 cents after non-recurring items. The dividend is held at 14.50 cents.

Associates aid profit surge at Cheung Kong

By Louise Lucas in Hong Kong

Cheung Kong Infrastructure, the infrastructure arm of Li Ka-shing's business empire, yesterday reported an almost threefold increase in net profits last year, from HK$886m to HK$2.41bn (US$311m).

The results, in line with expectations, were lifted by HK$1.63bn in contributions from associated companies. Last year was the first full year of contributions from Hongkong Electric, the smaller of the territory's two electricity suppliers, following the restructuring of Mr Li's businesses in 1996. Previously, the 35 per cent stake in Hongkong Electric had been held by Hutchison Whampoa, the conglomerate.

Operating profit at CKI rose 9.2 per cent to HK$1.06bn. The group, which was spun off from Cheung Kong, Mr Li's flagship company, derives most of its profits from Hong Kong. In 1997, as investment across the border grew, China contributed 14 per cent of profits.

Last year CKI – one of Hong Kong's biggest investors in China – committed HK$4.3bn to investments in mainland infrastructure projects, bringing the total to HK$10.9bn. It now has 66 such projects in China.

Victor Li, chairman, said that acquiring the controlling interest in Hongkong Electric had significantly expanded CKI's power portfolio. "More importantly, our financing capacity has been enhanced with a larger capital base and quality recurring income," he added.

The group is well placed to exploit further opportunities. It has on cash on hand of HK$2.4bn and a net debt-to-equity ratio of under 4 per cent and Mr Li does not anticipate a big impact from the Asian financial crisis, in the light of China's increasing demand for infrastructure investment and increased infrastructure spending in Hong Kong.

Earnings per share for the year rose 53 per cent, from 75 cents to HK$1.15, and the annual dividend payout is to be doubled, from 16 cents to 32 cents.

All smiles: Victor Li (right) said group would benefit from higher infrastructure spending in Hong Kong Picture: Reuters

NEWS DIGEST

THAILAND

Bangkok Bank opts for share offer to raise capital

Bangkok Bank, Thailand's largest commercial bank, yesterday said it would initiate an capital raising programme by selling 400m new shares to international investors. The bank's registered capital will increase by Bt4bn to Bt14bn ($341m).

Chatri Sophonpanich, executive chairman, said: "In light of the impact of the currency devaluation and slowdown in the economy this year, we believe it is prudent for the bank to raise additional capital to strengthen our financial position."

The bank said it had appointed Morgan Stanley Dean Witter as the global co-ordinator for the share offering, which is expected to begin in April.

The capital raising plan had been expected but the method had been unclear. Bangkok Bank has chosen to follow its main competitor, Thai Farmers Bank, in trying to raise new capital directly through the international markets rather than via a rights issue or a private placement with a minority partner.

Analysts said Bangkok Bank might still have to resort to a rights issue and/or a private placement, as the amount raised with 400m new shares might not be enough to keep the bank's capital position strong. If the bank sells the new shares at yesterday's foreign share closing price of Bt119, it would raise Bt47.6bn.

Brokers Paribas Asia estimates that Bangkok Bank will need to raise Bt61bn. In addition, the 31 per cent premium at which foreign shares of Bangkok Bank trade relative to domestic shares could shrink because of the increased amount of foreign shares on offer.

All 15 commercial banks in Thailand have now announced or implemented capital raising plans. The banks are under pressure from the country's central bank to raise capital to make hefty new provisions necessary to protect the banks from growing bad debt. The central bank will make an announcement later this month that will tighten provisioning rules over the next two years.

Ted Bardacke, Bangkok

PHILIPPINES PROPERTY

Ayala takes C&P Homes stake

Ayala Land, the Philippines' leading property group, will acquire a 38.4 per cent stake in C&P Homes, the country's largest home-builder, through a share swap valued at about 3.6bn pesos ($92m). Each company has more than 3,000 ha nationwide.

Ayala Land will exchange 208m new shares at 17.24 pesos each for 1.6bn C&P Homes shares at 2.25 pesos each held by Fine Properties, the holding company of the Villar Group.

Once the acquisition is complete, Ayala Land will have three of the seven seats on the board of C&P Homes.

Manuel Villar, C&P Homes chairman, said the tie-up would allow C&P Homes to cope with economic difficulties. "We welcome working with the Ayala Group, especially the opportunity to tap Ayala Land's broad range of resources and capabilities," he said. Hazel Flores, of Orion Squire Securities, said Ayala Land decided to take a low-cost housing developer under its wings as it was having difficulty serving that market segment itself.

AFX-Asia, Manila

From noodles and rockets to shareholder value

Japanese trading group Tomen is focusing its interests to increase profitability, writes **Michiyo Nakamoto**

Change does not come easily in Japan. But when it comes, it is often with surprising speed.

Witness Tomen, Japan's seventh largest trading company, which has just adopted a restructuring programme that is radical by Japanese standards.

The programme, unveiled last week, aims to transform Tomen within two years from a sprawling and inefficient conglomerate into a tightly focused group with an Anglo-American zeal for maximising profits.

Global competition is the spur, executives say. "This is a survival plan," says Takeshige Yuzo, managing director.

At first glance, Tomen does not appear in danger of crumbling in the face of global competition. It is the 17th largest company in Japan and 40th in the world by sales volume. With 400 subsidiaries in more than 60 countries, the general trading company seems well placed to compete in the global economy.

Although it may be only the seventh among Japan's nine giant trading companies, projected group sales of Y5,400bn ($41.5bn) are hardly trifling.

As a trading company, Tomen has long been preoccupied with following other Japanese companies in the same business. These are involved in everything from infrastructure development to food processing and financial services, and the pursuit of size and market share has been an overriding objective.

Although much smaller than Mitsui, which expects revenues of Y17,000bn, or Mitsubishi, which forecasts group revenues of Y16,000bn, Tomen has sought to have a range of operations as impressive as its larger competitors.

Business decisions have therefore been dictated more by what other trading companies were doing, or by what existing customers were asking for, than by the expected profitability of a particular business. "In the past we set up a steel division simply because we had relations with steel companies," Mr Takeshige says. Profitability was a secondary consideration.

As a result, Tomen became over-extended and inefficient. The consensus-based, bottom-up management system meant that decisions were slow and responsibilities unclear.

But Tomen now recognises that "it must now compete in an international arena in which the creation of long-term shareholder value is the only assurance of continued success". Its restructuring plan aims to change completely the corporate mindset and to implement a new management structure that "focuses strictly on profitability".

To that end, it will reduce its exposure to, or pull out of, businesses in which it does not have market leadership. It will instead focus on four main areas: independent power production, agricultural chemicals, food processing and telecommunications.

That will involve consolidating or divesting about 50 affiliated companies. "The era in which trading companies handle everything from ramen [noodles] to rockets is over," Mr Takeshige says.

Tomen aims to generate 80 per cent of its recurring profits from these four areas, which at present provide it with just over 40 per cent in profits. The company's return on equity is expected to improve from 4.2 per cent to 12.6 per cent by the year to March 2000.

As part of its new-found mission to pursue shareholder value, Tomen is setting up an investor relations section for the first time in its 78-year history. It is also adopting accounting practices closer to global standards within the next two years.

Liabilities will be reduced by Y200bn over the next two years through the liquidation of securities, property and other financial investments. The company has identified about 10 affiliates for possible public listings.

Meanwhile, the corporate structure is being streamlined to reduce Tomen's high costs and to speed decision-making. The number of directors will be cut from 38 to 10 and 400 positions will be eliminated.

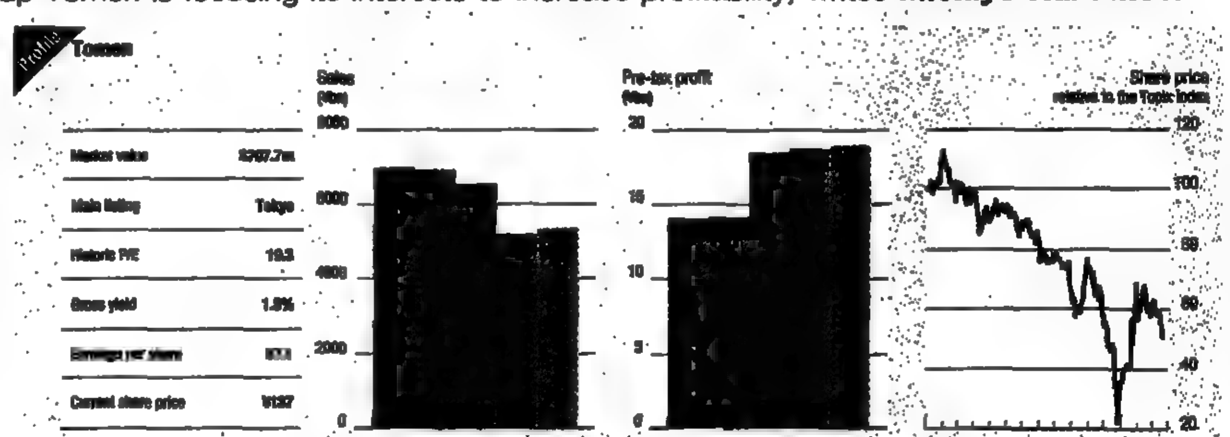
Lifetime employment and seniority will no longer be assured and many overseas subsidiaries will see their Japanese managers replaced by locally hired experts.

Such changes may strike westerners as hardly radical, but they strike at the heart of tradition-bound Japanese companies. For example, Japanese men are still very resistant to working under a foreigner, says Mr Takeshige.

In Tomen's case, a sharp downturn in the share price last year to Y55, and a Y24bn write-down of cumulative losses stemming from portfolio investments, served as shock therapy and helped to overcome internal resistance to change. The appointment of a new president, Akihiro Tsuji, last year also helped.

As a result of its write-down, Tomen will report a group net loss of Y19bn and pass its dividend this year for the first time in more than 40 years. The embarrassment of having to miss its payout was instrumental in creating the sense of urgency needed to take such unprecedented restructuring steps.

Nevertheless, it will take time for the importance of profits and shareholder returns to take hold in a traditional Japanese company. However, as Mr Takeshige says, "the reality is that we must accept the Anglo-American system. Otherwise we will not be able to survive."



Banks end Indian joint ventures

By Krishna Guha in Bombay

J.P. Morgan, the US bank, and HSBC, the UK-based international banking group, are ending their Indian joint ventures following differences with their local partners over strategy and investment. The banks will now take full managerial control of their operations in the country.

J.P. Morgan is pulling out of its five-year-old venture with Industrial Credit and Investment Corporation of India, the country's second biggest financial institution. The US bank said it wanted "direct control" of its activities and would soon "set up shop on its own" in India.

ICICI will buy out J.P. Morgan's 39.66 per cent stake in the joint venture, ICICI Securities and Finance, for Rs800m ($20.2m).

Earlier, HSBC announced it was buying out its partners in HSBC Batlivala and Karani, its Indian stockbroking joint venture, for $16m. HSBC will take full management control of the business, though it will sell the 49 per cent stake held by its partners to other local investors.

In both cases the divorce was prompted by differences in strategy between the global bank and its local partner. "J.P. Morgan tends to want to service sophisticated blue-chip clients, whereas ICICI, with its development finance roots, also caters to small and medium-sized companies," said a senior J.P. Morgan banker, adding that this had resulted in a "two-tier firm".

The US bank also balked at the cost of investing heavily in technology and training in a business in which it held only a minority stake. It now plans to invest up to $80m in India, focusing on debt, although it will maintain a private equity business.

HSBC said its partners "wanted the joint venture to be profitable from day one", while HSBC was content to "take a 10 or 20-year view".

J.P. Morgan and HSBC have broken the trend for global banks to seek local partners in India. Last month Nomura Securities of Japan signed a joint venture with Unit Trust of India. Morgan Stanley, Merrill Lynch and Goldman Sachs also operate in the country through joint ventures.

Currency losses hit Samsung Electronics

By John Burton in Seoul

Samsung Electronics, South Korea's biggest electronics company, reported that 1997 net earnings fell 25 per cent to Won123.5bn ($83m) owing to losses on foreign debt as the Korean currency fell 50 per cent against the US dollar.

Samsung was vulnerable to rising interest costs as, according to the Korean stock exchange, it had the largest debt of any listed Korean company last year, at Won17,240bn.

Analysts said Samsung would have reported a loss for 1997 if the government had not changed accounting rules, allowing companies to avoid reporting most foreign exchange losses on their profit and loss statements.

Samsung also lengthened its depreciation period to boost earnings.

Earnings were hurt by continued weak prices for memory chips, of which Samsung is the world's biggest producer, because of a global glut.

The average price of Samsung's mainstay 16-megabit memory chip fell from $8 to below $3 at the end of 1996, which eliminated profit margins and caused the group's semiconductor sales to remain flat.

Sales rose by 17 per cent to Won18,500bn as a result of strong demand for telecommunications equipment, which accounts for a quarter of total revenue. Samsung also produces consumer electronics products.

The company said it planned to cut 1,000 jobs this month, or 2 per cent of its workforce, through early retirement – one of the biggest mass redundancies in Korea.

LG Semicon, Samsung's main memory chip rival, reported a loss of Won289.7bn, compared with a profit of Won91.1bn in 1996, because of currency losses on its foreign debt. However, two other LG electronics businesses reported a rise in profits.

LG Information & Communications, which makes telecommunications equipment, saw a 101 per cent rise in net profits to Won96.2bn on the back of strong demand in the domestic market for mobile telephones.

LG Electronics, the group's consumer electronics unit, saw earnings increase 41 per cent to Won91.6bn as sales rose 23 per cent to Won9,200bn. It said that the profit rise reflected increased exports of CD-Roms and air conditioners.

Hyundai Electronics, Korea's third ranked memory chipmaker, fell into a loss of Won183.5bn from a profit of Won71.1bn in 1996 because of higher interest costs on its foreign debt.

Daewoo Electronics, the Korean consumer electronics producer, reported a 14 per cent decline in earnings to Won41.5bn, which it blamed on the currency depreciation and a rise in local interest rates.

Its sales rose 8 per cent to Won3,860bn on increased exports.

CEBIT FT WRITERS REPORT FROM THE INTERNATIONAL TECHNOLOGY FAIR IN HANOVER

Compaq eyes small business market

By Paul Taylor

Eckhard Pfeiffer, Compaq Computer chief executive, yesterday blamed "a back-up of inventory" in the US and more competition in the corporate computer market for the profit warning that sent Compaq's shares sliding earlier this month.

Mr Pfeiffer was speaking as the US computer group unveiled a new strategy aimed at extending its sales in the small and medium-sized business market.

He emphasised that the profit warning had "nothing to do with" the flood of sub-$1,000 computers that are taking a growing share of the US consumer PC market.

Instead, he said Compaq had been caught off-guard by a slowdown in the US commercial market in the first few months of this year. "We found we had more inventory backed up in the channel than we expected," he said.

Mr Pfeiffer acknowledged that the market in the US had become more competitive in recent months.

This had been reflected in sharp price reductions by the industry leaders including Compaq and its main rivals, International Business Machines, Dell Computer and Hewlett-Packard.

"A lot of people are chasing market share," he said.

Mr Pfeiffer also said it would be difficult for Compaq to continue to grow at the 40 per cent to 50 per cent rates chalked up last year, but he expressed confidence in the overall outlook including sales in Europe which he said remained strong.

The Compaq chief executive said he hoped the group's proposed multi-billion dollar acquisition of Digital Equipment would be approved shortly.

Compaq, which is buying Digital to build its position as a full-range computer and computer services supplier, has said it wants to complete the acquisition in the second quarter of this year.

However, Mr Pfeiffer said yesterday he hoped it would be possible to complete the deal in April or May.

Mr Pfeiffer also underlined his commitment to Digital's Alpha microprocessor technology, saying that provided the deal went through, Compaq intended to continue the development of the Alpha range and to use the chips to power high-performance enterprise systems.

Continuing the development of Alpha technology would also provide Compaq with an alternative chip platform to Intel's microprocessors.

Intel currently dominates the market for personal computer microprocessors. However, its high-end Merced microprocessor is not due to reach the market for several years.

Price cuts ring in new era for telecoms

Cheaper calls and new services woo German customers away from former monopoly Deutsche Telekom, writes Ralph Atkins

After all the pre-race hype, Germany's new private telecommunications companies are off the starting block. "Now they have to be in the stadium, actually running," says Ron Sommer, chief executive of Deutsche Telekom, the former fully state-owned telecommunications giant. Since January 1, Deutsche Telekom has faced full competition in its domestic market.

Fixed-line telecommunications competitors


Ron Sommer, chief executive
Deutsche Telekom
Largest shareholder: German government. Foreign partners include France Telecom (with which it is considering a share swap), Sprint group of the US. Mobile telephone link: T-Mobil [illegible] D1 network.


Harald Stöber, chairman
Mannesmann Arcor
Owned by Mannesmann-led consortium and Deutsche Bahn, the railway operator. Foreign partners: shareholders include AT&T, Unisource and AirTouch. Mobile telephone link: sister company Mannesmann Mobilfunk operates D2, Germany's largest digital mobile network.


Ulf Bohla - chairman
o.tel.o
Owned by Veba and RWE, the energy-based industrial conglomerates. Foreign partners: still in negotiations with BellSouth of the US. Mobile telephone link: owns 60.25 per cent of E-Plus.


Georg Obermeier, Viag chairman
Viag Interkom
Owned by Viag, the Munich-based conglomerate, British Telecommunications and Norway's Telenor Mobile partners: awarded Germany's fourth digital mobile communications licence.

This week the earliest entrants have passed the first milestones. The Cebit information technology fair in Hanover has seen the new competitors out to prove their fitness in a fiercely competitive contest.

Mannesmann Arcor, which stole a lead on its rivals by launching its private customer service on New Year's day, yesterday announced price cuts of up to 30 per cent off the cost of calls.

It said about 5m minutes of conversations were being carried on its networks each day – half from private customers. Arcor is owned by Deutsche Bahn, the railway operator, and a consortium led by the Mannesmann conglomerate in Düsseldorf. But others are not far behind. O.tel.o, backed by the Veba and RWE conglomerates, launched its public voice services on March 11. It is on track to sign up several hundred thousand private customers by the end of this year, says Ulf Bohla, chief executive.

Similarly, customer projections have been raised by Viag Interkom, a joint venture between Viag, the Munich-based conglomerate, British Telecommunications, and Telenor of Norway. Viag Interkom, which rolls out its new services from early summer, now reckons its fixed line business could have at least 200,000 customers before the end of the year.

The upbeat messages suggest German consumers are defying expectations and experimenting widely with the new services. But that does not necessarily translate into long-term contracts. As Hans-Burghardt Ziermann, the Viag Interkom director with responsibility for private customers, says: "What matters is the sort of customers you have. You want customers who really use the telephone – not just test."

From the Cebit exhibition, it is clear that the competitors see success depending on a number of factors. Price is the most obvious – before Arcor's announcement, Deutsche Telekom had already said it would be making further price cuts, on top of reductions introduced from March 1. Service standards are also crucial, with Deutsche Telekom scrambling to correct its image as an unlovable former state monopoly.

But the scale of competition is transforming the economics and sophistication of the German telecoms market, and accelerating the convergence of mobile and traditional fixed-line telephone businesses.

The amount spent by the main competitors in building their own networks has been crucial. O.tel.o, for instance, will have invested DM7bn ($3.83bn) by 2005 building a network that will rely largely on cables piggy-backed on its parent companies' electricity grids. Alex Stadler, who has responsibility for o.tel.o's network, says that gives the group an edge over the plethora of smaller service providers that have developed niches in leasing lines at attractive rates and reselling telephone services to customers.

O.tel.o can use its own infrastructure to serve not just private clients, but also large business clients wanting direct links, and those seeking to lease lines. As a result, the unit costs will be lower than those of the resellers, says Mr Stadler.

By setting out to become full service providers, Deutsche Telekom's rivals can also take advantage quickly of technological innovation. At Viag Interkom, the emphasis is on building a service from scratch that will eventually fully combine fixed and mobile services. Customers would use one service at home and outside.

But by the time Viag Interkom begins its integrated services next year, it is unclear how strong a competitive advantage it would have. Mannesmann Mobilfunk – Arcor's mobile telephone sister company – yesterday unveiled plans to offer business clients a "universal number" service from May 1. Under the system, "intelligent" switching would automatically seek to find the customer on the mobile, at home or the office. Earlier in the week, Deutsche Telekom said it would offer a fixed line and mobile "personal communications service" from October.

Meanwhile, competition to provide internet access services is heating up. Rivals are watching closely plans by Deutsche Telekom to offer "tourist price" telephony, which uses the internet to cut dramatically the cost of long distance calls for users such as students. Deutsche Telekom is the first of the large international telecommunications groups to offer such a service.

Who will be the winners in the race for new customers? Mr Sommer of Deutsche Telekom said he was "satisfied" with how his group's customer numbers held up in the first two months of the year. As a percentage of Deutsche Telekom's total, the call minutes lost to others so far is tiny. But companies such as Arcor are not looking to break even until early next century. As Mr Sommer says: "It is a long-distance race."

SNI seeks US expansion to raise stature

By Paul Taylor

Siemens Nixdorf Information systems needs to expand its business in the US – if necessary through acquisition – if it is to be taken seriously as one of the top tier of global computer companies, Gerhard Schulmeyer, president and chief executive of the European IT group, said yesterday.

Mr Schulmeyer said that expanding SNI's presence in the North American market was the main challenge he faces before he steps down as chief executive in a year's time.

Over the past four years Mr Schulmeyer has transformed the once sleepy and bureaucratic German computer group into a competitive full range computer systems services company and Europe's leading indigenous computer manufacturer, with revenues balanced between products and services.

He set SNI the target of generating one-third of its revenues in Germany, one-third from the rest of Europe and one-third from elsewhere.

Figures released yesterday show that Germany accounted for 55 per cent of revenues in the first five months of the current fiscal year, down from 62 per cent a year earlier.

Revenues from the rest of Europe now represent 37 per cent of the total, while revenues from outside the region only account for 8 per cent.

"Where I still have a headache is in North America," Mr Schulmeyer said yesterday.

"I think I will have to look at mergers or acquisitions, but prices are very expensive."

Mr Schulmeyer said yesterday that since the start of October, new orders had increased by 14 per cent to DM6.7bn ($3.66bn) and sales had grown by 11 per cent to DM6.2bn, compared with the same period last year.

Ericsson revises mobile forecasts

By Greg McIvor in Stockholm

Ericsson, the Swedish telecommunications group, yesterday said the world mobile telephone market would grow faster than forecast into the next century.

Announcing an upward revision in its subscriber growth forecasts, Ericsson predicted the number of cellular subscribers globally would grow from almost 207m at the end of 1997 to 605m by 2002, up from 590m previously anticipated.

Ericsson, the world's third-largest supplier of cellular handsets after Motorola of the US and Finland's Nokia, expected mobile subscriptions to exceed 830m by the end of 2003, an annual compound growth of 27 per cent from the start of 1998.

Ericsson downgraded its expectations for growth in Asia-Pacific due to the economic turmoil there, saying it would not overtake North America as the world's largest market for cellular phones until 2002.

It said western Europe, which had 57m subscribers in 1997, would surpass North America, which had 60m subscribers, as the world's biggest market during 1998.

Ericsson suggested mobile penetration levels would rise to 60 per cent in Japan by the end of 2003.

INSURANCE FRENCH GROUP IS LOOKING AT COMPANIES IN JAPAN AND SOUTH KOREA

Axa sees opportunities in Asian crisis

By Andrew Jack in Paris

Axa, the France-based insurance giant that last year merged with its rival UAP, is considering acquisitions in Japan and South Korea in the wake of the Asian economic crisis.

Claude Bébéar, chairman, said yesterday the countries in the region were in disarray. "There is an opportunity. It will not last a long time. We will see if we can seize it."

Axa executives consider Japanese and South Korean companies to be potentially the most lucrative, as their economies have suffered from the high proportion of business concentrated in their domestic markets. They say they must act swiftly while companies in the region seek additional capital to refinance themselves – and before any nationalistic backlash against foreign companies.

The French group has been studying the recent activities of GE Capital, notably its joint venture for the sale of life assurance in Japan with Toho Mutual announced last month.

Mr Bébéar, who has overseen several acquisitions in the past decade, including control of Equitable in the US and National Mutual in Australia, said other regions where he was considering purchases included Latin America, Poland and the Czech Republic.

He ruled out acquisitions in North America or Europe at present, saying prices were too high. "We don't see how we could achieve our objective of 15 per cent post-tax returns," he said.

The plans emerged as Axa more than doubled net income to FFr7.9bn ($1.29bn) for 1997, up from FFr3.8bn. Turnover rose 9 per cent to FFr365bn, and assets under management 16 per cent to FFr3.020bn.

Mr Bébéar said Axa's historical roots in the mutual insurance sector had been essential to its development. However, given its strength and large market capitalisation, he said he could envisage merging Finaxa, through which the residual stake of the mutuals is held, with the quoted Axa company. Finaxa and the mutuals hold 25 per cent of the shares.

He also indicated that Axa was considering expanding in financial services with development of consumer lending, shorter-term savings products and other specialist services traditionally offered by banks.

Axa is undertaking an ambitious worldwide advertising campaign designed to raise the profile of its name.

The joint venture in Australia between National Mutual and Land Lease, formally proposed in September last year, should be agreed next month.

Lex, Page 22

Jewel in crown may become thorn in the side

French utility Suez-Lyonnaise could be on a collision course with its prize asset, Belgian subsidiary Tractebel, writes **Neil Buckley**

Less than a year after France's Compagnie de Suez merged with French utility group Lyonnaise des Eaux, analysts are warning of a possible showdown between the new group and Belgium's Tractebel, one of its prize assets.

On the surface, all seems well. In the nine years since the ebullient Baron Philippe Bodson took over as chief executive, Tractebel has transformed itself from ragbag financial holding company into one of the world's fastest-growing – and most international – independent power producers.

Generating capacity outside Belgium – more than 11,000MW in 16 countries – is fast approaching that in its home market of 14,000MW, where its subsidiary, Electrabel, produces 93 per cent of Belgium's electricity.

The 1997 results, to be announced today, will demonstrate the extent to which Tractebel has become a Belgian industrial jewel, with profits forecast to jump from BFr12.09bn to between BFr15.5bn and BFr17bn ($411m-$451m).

So why may Mr Bodson face more questions today about the group's shareholders than its activities? Because analysts warn its strategy could put it on a collision course with its ultimate parents.

Tractebel, they say, is key to Suez-Lyonnaise's aim to become the world's leading "multi-utility".

The Belgian group, on the other hand, would like to merge with Electrabel – of which it currently owns 39 per cent – to create a Belgian super-utility valued at more than BFr600bn.

Full control of Electrabel would provide even more cash to channel into Tractebel's aggressive overseas expansion. But it would also dilute Suez-Lyonnaise's stake below 50 per cent.


Baron Bodson: helped transform Tracebel

A report on Suez-Lyonnaise last month by Paris-based analysts from Cholet Dupont/Crédit Lyonnais Securities summed up the problem. "The status quo [in Belgium] is not tenable," it warned. "A compromise will have to be found between French ambitions to bring Tractebel into the heart of the group, and the Belgian desire to create a large independent electricity producer through an Electrabel-Tractebel merger."

Recent developments have reinforced speculation over a looming clash. These include Suez-Lyonnaise's appointment of Christine Morin-Postel, a restructuring specialist, as chief executive of Société Générale de Belgique, the powerful holding company of which it owns 63 per cent, and the vehicle for its 50.3 per cent stake in Tractebel.

Second was the decision by the board of Générale de Banque, SGB's banking subsidiary and Belgium's biggest bank, not to bid for French bank CIC. The market now expects SGB to sell its stake in the bank, leaving Tractebel as by far its dominant asset.

Cholet Dupont suggests two scenarios. The "compromise" scenario would be a three-way merger of Tractebel, Electrabel and SGB – leaving Suez-Lyonnaise with about 42 per cent of the merged Belgian group. That would make it by far the largest shareholder and a genuinely utilities-based group capable of meeting its target of doubling earnings per share by 2003.

But this could be politically unacceptable in Belgium, where the government regards Tractebel and Electrabel as strategic assets.

If such a deal could not be done, Cholet Dupont's second scenario foresees Suez-Lyonnaise selling its Belgian interests.

Interviewed by the Financial Times this week, Mr Bodson refused to be drawn on Tractebel's relations with its parents. But his ambitions are clear.

Last year's European Union directive aimed at opening a quarter of the EU's electricity market to competition is an opportunity, he predicts. It has interests in Northern Ireland, Italy, Germany and Hungary, and would like to expand further.

But the real excitement is in central Asia. A dispute with the government in Kazakhstan, where Tractebel has invested $100m, has been resolved, clearing the way for a planned $1bn investment. "I am very excited about Kazakhstan, because there I think we have really made a coup," he says.

He is similarly enthusiastic about the neighbouring states of Kyrgyzstan, Turkmenistan, and Uzbekistan, and about Tractebel's expanding interests in the US and South America.

The group is well on the way, he adds, to its target of deriving 40 per cent of profits from activities outside its Belgian electricity supply business by 2000. The question is whether Tractebel will achieve it as part of a giant French-controlled group, or as a Belgian super-utility.

Schering seeks go-ahead for share buy-back

By Frederick Stüdemann in Berlin

Schering, the pharmaceuticals group, yesterday became the latest German company to announce corporate governance changes aimed at bringing the country's business practices into line with international standards.

Changes include the buy-back of shares, denominating stock at non-par value and a removal of clauses restricting voting rights. The company said share capital and all other amounts expressed in D-Marks would be given in euros, the European currency due to be introduced next year.

Bayer and BASF, the chemicals groups, have made similar announcements.

Giuseppe Vita, Schering chairman, said the changes would enhance shareholder value. Restrictions on voting rights, introduced in 1937 to fend off hostile takeovers, were outdated, he said. "Today we are convinced the best protection against a takeover is shareholder satisfaction." The buy-back would increase earnings per share, said Klaus Pohle, chief financial officer. However, Schering will have to wait until the necessary laws are approved by parliament later this year.

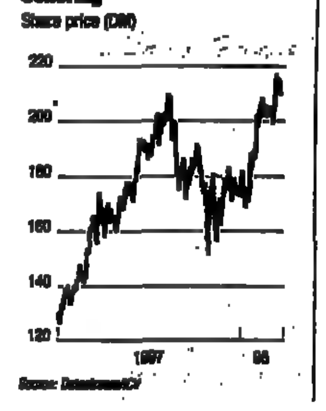
Mr Pohle said he wanted to see a consensus among Germany's regional states over the tax position of buy-backs. Some states see buy-backs as distributed profits, and thus subject to taxation, while others say the money should be viewed as non-speculative gains made on the stock market and thus free of tax.

Schering will next month request authorisation from shareholders to buy back shares with a nominal value of up to DM34m. Mr Pohle said, however, that in the first instance the company expected to spend DM500m ($274m) buying back about 3m shares. This would reduce the number of unit shares from 68m to 65m.

The move to internationally recognised unit shares showed the increasing discrepancy between the nominal and real capital value of the company. Mr Pohle said unit shares also made it easier to carry out stock splits. In addition, the single currency would have produced awkward par values as D-Marks were converted into euros.

Mr Pohle said he expected earnings in 1998 to grow by "a high single digit" and sales to increase to DM8.6bn. In 1997, pre-tax profits rose 29 per cent to DM789m and turnover by 18 per cent to DM6.2bn.

Schering
Share price (DM)



Source: Datastream/ICV

Italian treasury unveils plans for Finmeccanica

By James Blitz in Rome

The Italian government yesterday unveiled details of its plans to proceed with the break-up of Finmeccanica, the state-owned industrial and defence conglomerate, hinting at a range of international alliances.

In a speech to a parliamentary commission, Mario Draghi, director-general of the treasury, said the group was looking at a range of alliances, including with Westland, the UK helicopter maker, and Daewoo, the South Korean conglomerate.

He said Finmeccanica SpA, the group's holding company, would report losses of about L2,220bn ($1.23bn) for 1997, including L,550bn exceptional items.

He said the group had decided to press ahead with plans for a capital increase of L1,967bn as part of its restructuring plan. The Finmeccanica board decided this week to raise the capital through an equity issue to existing shareholders.

Heading a long list of disposals and alliances that Finmeccanica hopes to make this year is Elsag Bailey, its automation division.

Mr Draghi confirmed discussions were proceeding on a possible sale of Finmeccanica's 61 per cent stake in Elsag Bailey Process Automation, which is quoted on the New York Stock Exchange.

On Ansaldo, the energy, industry and transport subsidiary, Mr Draghi said expressions of interest in a joint venture from European companies Siemens and GEC Alsthom had been deemed "inadequate". He said Daewoo of South Korea was expected to present a substantial proposal for an alliance before the end of April.

Finmeccanica is looking at the future of Agusta, the world's fifth largest helicopter maker, with sales of L879bn in 1996. Agusta, he said, "could proceed with a structural joint venture with either Westland or Eurocopter".

He said that Finmeccanica management was "looking at the possibility of an accord with Westland" under which the Italian company would be involved in the production of the EH 101 helicopter.

Portugal in state sell-offs worth around Es532bn

By Peter Wise and David White in Lisbon

Portugal yesterday approved a bumper package of privatisations, including TAP-Air Portugal, the national airline, and global offerings of cement and power utilities, worth about Es532bn ($2.8bn).

Fernando Teixeira dos Santos, the finance secretary, said stakes in TAP would first be sold to strategic partners, which are expected to include SwissAir and Portugal's Espírito Santo financial group.

Up to 10 per cent would later be offered to the airline's employees. A decision was pending on whether a global offering of shares in TAP would be made, Mr Teixeira dos Santos said.

Other privatisation measures approved by the socialist government include a secondary global offering of 25 per cent of Cimpor, Portugal's biggest cement producer, worth Es134bn at market prices.

The sale, planned for the end of May, is the third offering of Cimpor stock and will cut state ownership to 10 per cent. Shares are to be offered to institutional investors and to Portuguese retail buyers.

A similar secondary global offer of just under 15.5 per cent of Electricidade de Portugal, the national power utility, is planned for June or July. The sale, worth about Es398bn, follows an initial public offer of 30 per cent of EdP last June.

Before the offering, 4.5 per cent of EdP is to be acquired by foreign strategic partners.

RWE, the German power group, is expected to acquire the biggest stake. Smaller holdings could go to Iberdrola and Unión Fenosa, Spanish electricity groups.

The state will own just over 50 per cent of EdP after this sale and the secondary offering. But Mr Teixeira dos Santos indicated the government would consider relinquishing majority state control. "There is no reason not to go further in the future," he said.

Under the privatisation framework for TAP, the airline will be owned by a state-controlled holding company in which strategic private-sector partners will acquire stakes in return for injecting capital.

Aegon jumps 40% to Fl 2.2bn

By Gordon Cramb in The Hague

Aegon, the Dutch-based insurer, last year achieved its biggest annual earnings increase as net profits jumped 40.8 per cent to Fl 2.21bn ($1.1bn).

Although it projects that the pace of growth in 1998 will halve to 20 per cent, the group has a record of comfortably exceeding its forecasts.

This year will bring the first full contribution by the operations it acquired from Providian of the US. Incorporated from mid-June last year, they expanded net earnings per share by 5 per cent.

Overall growth on a per-share basis – Fl 7.90 against Fl 5.93 – was 33 per cent. The difference between that and the headline figure reflected an equity issue to fund the purchase. Favourable currency effects accounted for 6 per cent, meaning that autonomous growth reached 22 per cent.

Investment income was up 34 per cent at Fl 8.82bn. Gross premium income rose 26 per cent to Fl 21bn, but autonomous growth at 9 per cent was below the group's 10 per cent target.

Year-end assets at Fl 272.7bn were ahead 49 per cent, and shareholders' funds expanded 61 per cent to Fl 18.1bn.

The dividend totals Fl 3.71, compared with Fl 2.79.

NEWS DIGEST

INVESTMENT BANKING

Derivatives chief resigns following Swiss merger

T.J. Lim, one of the few Union Bank of Switzerland executives to be offered a senior role after the merger with Swiss Bank Corporation, has quit because his new job turned out to have less responsibility than had been promised. Mr Lim had been named head of fixed income derivatives, foreign exchange and European fixed income at Warburg Dillon Read, the investment banking subsidiary of UBS, the merged bank. But his resignation was announced yesterday.

Although he recently held talks with Dresdner Kleinwort Benson about taking his team to the German-owned bank, no deal was reached. He will remain temporarily at UBS to help with integration.

Mr Lim's erstwhile role has been split. SBC's Andrew Siciliano, global head of interest rates and foreign exchange, to whom he would have reported, will take interim responsibility for interest rates derivatives marketing and structured products until a permanent replacement is found.
Clay Harris, Banking Correspondent

COMPUTER SERVICES

Cap Gemini seeks FFr3.8bn

Cap Gemini has announced a FFr3.75bn ($612.2m) capital increase. The French computer consultancy group plans to issue one new share for every nine already held, amounting to 6.8m new shares. Share subscription will be open from March 26 to April 8 inclusive. Compagnie Générale d'Industrie et de Participations, the holding company that has about 30 per cent of the group's capital, has elected to participate in the capital increase and to exercise all its preferential subscription rights.

Cap Gemini said the issue would help to "conduct an aggressive strategy in a rapidly growing world market".

● **Lafarge**, the French building materials group, said its FFr3.2bn capital increase would be a rights issue of 7.89m new shares at FFr410 a share, amounting to one new share for every 12 already held. **David Owen, Paris**

BELGIUM

Exceptionals lift Electrabel

Electrabel, the electricity and gas utility and Belgium's biggest company by market capitalisation, increased net profits 8.6 per cent from BFr30.4bn to BFr33bn ($876m) last year, in spite of a fall in electricity prices. The result was boosted by an extraordinary gain on the sale of shares in Powerfin, the former subsidiary of Tractebel (which controls 39 per cent of Electrabel) when Powerfin and Tractebel merged last year.

Total electricity revenues increased 1.9 per cent to BFr119.3bn. Natural gas sales increased 2.5 per cent to BFr30.5bn. Group turnover increased 7.7 per cent to BFr238.5bn.
Neil Buckley, Brussels

PRIVATE BANKING

Vontobel advances 76%

Vontobel Group, Zurich's second biggest independent private banking group, increased net income 76 per cent, to SFr106.2m ($71.3m) in 1997 and raised its dividend 60 per cent, to SFr40 a share.

Vontobel is the last of the quoted Swiss private banks to report 1997 figures and its performance was only bettered by Bank Sarasin in Basle, which increased its net profit 85 per cent, to SFr83.3m, and raised its dividend 80 per cent. Fee and commission income, which accounts for 63 per cent of Vontobel's total income, rose 33 per cent, to SFr260.7m, and trading income rose by a similar amount, to SFr110.7m.

The group increased its return on equity to 19.7 per cent, which is marginally higher than Bank Sarasin, and about 4 percentage points higher than Julius Baer, the biggest Swiss private bank, and Liechtenstein Global Trust.
William Hall, Geneva

SUNBEAM SHARES SLIDE AS US HOUSEHOLD APPLIANCE MAKER WARNS OF REVENUE SHORTFALL

Dunlap disappoints Wall Street again

By Richard Waters in New York

Al Dunlap, the turnround specialist who has just been handed one of corporate America's richest share option awards, yesterday disappointed Wall Street for a second time with news that his company's quarterly earnings would not match expectations.

Shares in Sunbeam, the household appliance maker that Mr Dunlap has headed for the past 20 months, fell 8 per cent, or $3\frac{7}{16}$, during morning trading, to \$46½.

The earnings warning comes less than two weeks after the company disclosed that Mr Dunlap had agreed a new three-year contract that has left him with shares and options with a current market value of \$50m. The outspoken executive is reported to have said to analysts at the time: "You can't overpay a great executive."

In a brief statement yesterday, Sunbeam said that its revenues in the first quarter of this year "may be lower" than the \$285-\$295m Wall Street has been looking for, though they are "expected to exceed" the \$253m of a year before.

The company attributed its caution to changes in inventory management practices at some of its retail customers, leading to a dip in orders, but added that it was still "highly confident about the overall sales outlook" for the full year.

Sunbeam, which makes toasters, electric blankets and other household items, had suffered a similar sharp dip in its shares in late January, when it failed to meet analysts' targets for fourth-quarter earnings.

Just two days after that, with the shares in the doldrums, the company set the price at which Mr Dunlap could exercise options on 3.75m shares under his new three-year contract. At \$36.85, this is still nearly \$10 below the level yesterday, leaving Mr Dunlap with a paper profit of \$36m.

The Sunbeam chairman was also handed 300,000 free shares for committing himself to another three years – worth \$14m yesterday – and had his basic salary doubled to \$2m a year.

A month after the January earnings disappointment and the pricing of the share options, Mr Dunlap unveiled a string of acquisitions for \$2.5bn and a plan to build Sunbeam into a global leader in consumer products. That news boosted the company's stock again, lifting it briefly above \$50 and providing instant paper profits for the company's chairman.

Mr Dunlap's decision to stay at Sunbeam for another three years, rather than follow his normal practice of moving on quickly to another company in need of a turnround, has won strong support from the company's shareholders.

Flirtatious Chase in fruitless partner quest

By Tracy Corrigan and William Lewis in New York

Months into its search for an investment banking acquisition, Chase Manhattan, the largest US bank, is beginning to take on the look of a serial flirt.

At least four banks, European and US, have been subjected to its advances, some more than once.

Three US investment banks – Merrill Lynch, J.P. Morgan and Goldman Sachs – have been approached, as has Credit Suisse, the Swiss commercial bank which owns the investment bank CSFB.

On Wednesday, Merrill's share price leapt more than 9 per cent as Wall Street traders and analysts speculated that a deal with Chase was close. In fact, Chase's advances to Merrill – the latest was in January – have been rejected, with Merrill stressing its intention to remain independent.

Others on Wall Street are speculating about a link-up between Chase and Donaldson Lufkin & Jenrette, the investment bank controlled by Axa-UAP, the European insurance group.

The efforts are being spearheaded by Jimmy Lee, head of investment banking, and Walter Shipley, Chase chief executive, but for some at Chase the semi-public courting of other investment banks is becoming a source of embarrassment.

Executives in its small investment banking division say it is beginning to affect staff morale and are urging the bank's top management, in the words of one mergers and acquisitions banker, to "put up or shut up".

But Thomas Labrecque, president of Chase, said yesterday Chase will continue to look at a range of options. He said the bank had made great strides in all investment banking product areas, except equities. "That is the gap we want to fill over the next two to three years. In filling it we are looking at all the options."

Chase's attempt to create an investment banking division to rival bulge bracket operations such as Morgan Stanley Dean Witter follows rapid consolidation in the financial services sector.

"We are witnessing the end-game in this sector of global wholesale financial services," said one analyst. Investors say the mergers of Morgan Stanley with Dean Witter and Salomon Brothers with Smith Barney have intensified the battle to join the handful of wholesale financial services businesses which can claim to span all the leading markets and product areas.

In recent months, a number of contenders have stumbled. The UK banks, National Westminster and Barclays, have abandoned their ambitions, while Deutsche Bank is cutting staff in investment banking in North America as part of a broader restructuring.

Meanwhile, J.P. Morgan, which began the process of building its investment banking division earlier than others, has suffered from a depressed return on equity and recently announced it would cut its staff by 5 per cent.

In 1993, Chemical – which merged with Chase in 1995 – was given underwriting powers, enabling Chase to make substantial inroads in some areas, most notably the high-yield sector.

Chase's position as the global market leader in syndicated lending has allowed it to build the related high-yield securities market rapidly. It ranked fifth in high-yield securities underwriting in the US last year, according to Securities Data, which tracks deals.

Jimmy Lee: spearheading Chase's efforts to find an acquisition

Chase has made strides in mergers and acquisitions advisory work, ranking twelfth in the US last year, but has struggled to penetrate equities underwriting.

But analysts say Chase still has a large leap to make in order to make it into the investment bank top league. "If I had to handicap the field, the two leading contenders [for the bulge bracket] are J.P. Morgan and Chase," reckons Art Soter, financial services analyst at Morgan Stanley. "But they both have big holes to fill."

ConAgra hit by fall in exports

By Richard Tomkins in New York

ConAgra, the US food group that last month warned of lower-than-expected earnings for its financial year ending May 31, yesterday reported a fall in net profits from \$145m to \$139m, or 30 cents a share, for its third quarter to February 22.

The figure excludes the effect of an accounting change.

The decline was caused by a decline in exports to Asia, where demand for US meat and poultry products was hit by currency devaluations and the region's economic turmoil, and by a cyclical upturn in US meat and poultry production.

Many of the company's food businesses did well. ConAgra said its crop inputs business, United Agri Products, had strong operating profit growth, and consumer products, including the Healthy Choice range, achieved substantial gains.

But the refrigerated foods division suffered from a 92 per cent fall in third-quarter operating profits.

ConAgra said a surge in industry production, compounded by lower Asian export demand, drove down earnings in pork, poultry, and US beef. The earnings fall was especially severe in beef because beef processing and cattle feeding, which often naturally hedged each other's results, both suffered price and margin declines.

HK refuses to intervene in Wharf dispute

By Louise Lucas in Hong Kong

The Hong Kong government has refused to step into a commercial legal dispute involving Wharf (Holdings), claiming that – contrary to concerns within the business community – it does not pose any systemic implications for the territory.

The decision comes just weeks before Wharf returns to court in the US for the next hearing in its case against United International Holdings, of Denver.

Wharf had lobbied the Hong Kong government to back its case, claiming that the outcome could have a wide-reaching impact on companies in the territory doing business with the US, and stood to hurt bilateral relations.

Referring to the government's decision, Wharf said: "Our concerns will be shared by the many Hong Kong organisations, including members of chambers of commerce, who urged the government to take this opportunity to air their anxieties about the implications of the Denver Federal court decision."

At the heart of the Wharf legal row is the disputed existence of a cable TV business partnership with United.

United claims that in October 1992 it was promised an option to acquire 10 per cent of the loss-making Wharf Cable TV. Wharf insists no such agreement was reached.

However, court judgments in Denver have so far tended to favour United, prompting Wharf to appeal and attempt to withhold payment.

Wharf said three wider issues were now at stake: jurisdiction, extra-territoriality and the scope of sanctions levied by US courts.

The jurisdiction issue – of what might be considered Hong Kong matters being decided in US courts – has already been raised by earlier cases.

But the Hong Kong government said yesterday there was not "a smidgen" of evidence to suggest the trial was being heard in the US because of concerns that Hong Kong would not give a fair trial.

"There is nothing about Hong Kong not being suitable because it's legal system is not good enough," a source for the government said. He added that government intervention could in itself harm bilateral commercial relations.

"We don't want people to think if you get into a dispute with a Hong Kong company you then get into a dispute with the Hong Kong government. It's a commercial contract."

Wharf said it would continue its appeal, despite the government's decision not to support it "on behalf of Hong Kong on broad issues which we believe are of concern to those who do business with the US in Hong Kong".

Shake-up looms in Chile pensions

By Imogen Mark in Santiago

Provida, Chile's second biggest private pension fund, has bought a controlling stake in Proteccion, a smaller fund, in what is expected to be the first of several changes of ownership in the industry in the next few weeks.

Proteccion's owner, the local Banco Security, said on Tuesday it was selling its 59.55 per cent stake for about \$92.4m. The price per share was 663.9 pesos, some 12.5 per cent above the 590 pesos at which the stock was trading on Tuesday and more than double what Banco Security paid when it bought the fund from its previous owner, AGF, the French financial services group in 1995.

In spite of the premium, Provida is making an excellent buy', said Paola Viani, an analyst at BICE, a local investment bank.

"Provida is paying the equivalent of \$513 a head to acquire Proteccion's client portfolio [of 180,000 accounts]. But last year it was spending the equivalent of \$940 a head on its sales force alone to bring in new customers."

The new owner is planning not to merge the two brand names but to keep the Proteccion name and marketing profile as a fund for high-earners.

Provida's customers are at the low end of the earnings scale, at an average 140,000 pesos (\$309) a month, below the system average of 230,000 pesos.

However, the new acquisition will allow Provida to reduce costs and improve margins significantly.

Provida alone has just over 1m paid-up customers, with assets under management of \$5.83bn.

It showed pre-tax profits of \$25.3m for 1997. Proteccion manages assets of \$2.9bn.

The pressure to cut costs has become acute in the industry in recent months

'Customers are at the low end of the earnings scale, at an average 140,000 pesos (\$309) a month, below the system average of 230,000 pesos'

since a recent ruling by the regulatory authority tightened up on the regulations governing customer changes from one fund to another.

The smaller funds are now struggling with high administrative costs and low growth prospects, and several are expected to announce mergers or sell-outs within the next few weeks.

Some analysts expect that by the year-end the total of 13 pension funds will be reduced to eight or nine.

NEWS DIGEST

PENSION FUNDS

Calpers increases venture capital investments

The California Public Employees' Retirement Fund, the biggest US public pension plan, is to increase its venture capital investments by 60 per cent to more than \$900m. Much of the new money will be invested in California, which already attracts more than a quarter of all US venture capital investment. The fund, with about \$130bn in assets, said annual investment returns on funds backing start-ups and innovative companies had increased by more than 34 per cent between 1990 and 1996.

The move will pump about \$350m more into a region which last year attracted \$4.8bn in venture capital, according to Price Waterhouse. More than \$3.5bn of that went to Silicon Valley businesses.

Calpers' decision may improve the prospects for backing of companies in other parts of the state, including the Los Angeles region, which recently adopted the title "Digital Coast", a fast-growing high-tech cluster in Orange County, and the San Diego region close to the Mexican border.
Christopher Parkes, Los Angeles

CHICAGO MERCANTILE EXCHANGE

New Globex launch planned

The Chicago Mercantile Exchange plans to launch a new generation of its Globex electronic trading system in September that will give investors increased trading flexibility. The most important advance over the old system is that traders and investors will be able to give their brokerage firms stop-limit orders, which could automatically get them out of the market if prices move against them. The current Globex system developed jointly by the CME and Reuters does not allow for such contingent orders.

The new system will also display all individual orders for an entire contract. The names of the buyers and sellers will not be revealed. It will also contain a number of improvements directed toward CME members. They will be able to customise their screen display and look at price charts. The new Globex system will run on one originally developed by the Paris-based Marché à Terme International de France futures exchange and the SBF-Paris Bourse. **AP-DJ, Chicago**

CEMENT INDUSTRY

Southdown to buy Medusa

Southdown, the US cement producer, has agreed to acquire rival Medusa for \$1bn in stock, in a deal which will create the second largest cement producer in the country. Southdown said it expected the transaction to be accretive to 1998 earnings after cost savings. Under the terms of the deal, Medusa shareholders will receive 0.88 Southdown shares for each Medusa share, valuing Medusa at \$61.22m, a 17 per cent premium to Tuesday's close. The combined company will have a market capitalisation of about \$2.7bn. The deal is expected to close by the end of June.
Tracy Corrigan, New York

FUND MANAGEMENT

J.P. Morgan in French deal

J. P. Morgan, the US investment bank, has agreed a fund management joint venture with Banques Populaires of France. The two banks will launch a family of asset allocation funds in May and follow up with international funds later this year. Morgan, which struck a similar deal with DekaBank in Germany last year, has said it intends to become the leading retirement fund manager in continental Europe. **George Graham, Banking Editor**

CARMAKERS GERMAN MANUFACTURER POSTS RECORD PROFIT FOR 1997 AND INCREASES DIVIDEND

Stronger sales behind BMW surge

By Haig Simonian,
Motor Industry Correspondent

BMW, the executive cars group which owns Rover in the UK, yesterday capped a bumper period for the German motor industry by announcing record profits and a higher dividend.

Pre-tax earnings soared from DM1.66bn to DM2.53bn ($1.39bn) in 1997 on the back of stronger sales, particularly of higher-margin large models. Net profits climbed 52 per cent from DM820bn to DM1.25bn.

The rise prompted a sharp dividend increase from DM15 to DM20 a share. Preference shareholders will receive DM21, up from DM15.

BMW announced a one-for-five scrip issue, followed by a one-for-12 capital increase to raise about DM2.18bn. The move is intended to adjust BMW's capital base to reflect its strong recent growth and pave the way for expansion.

The stronger-than-expected profits rise lifted BMW's shares. The stock, which yesterday closed up DM126 at DM2026.5, has climbed sharply since Merrill Lynch last month set a DM2,300 target price.

BMW officials denied the capital increase was to finance the acquisition of Rolls-Royce Motor Cars, the UK luxury vehicles group put up for sale by Vickers. They said that buying Rolls-Royce – which analysts estimate would cost between DM750m and DM1bn – could be financed from cash flow, while the proceeds of the rights issue would be used for longer-term organic growth.

BMW's detailed 1997 results will be released on March 31. Interest will focus on the company's outlook for the current year, which will be disrupted by the replacement of the best-selling 3 Series range.

Analysts will also want to examine the progress made in reducing Rover's losses; the strength of sterling last year may have slowed this process significantly.

BMW's turnover last year rose 15 per cent to DM60.1bn, while car output climbed 4 per cent to 1.2m units.

Deliveries of BMW cars rose 5 per cent to a record 675,000 units, thanks to improved availability of the new 5 Series range and the US-built Z3 convertible. Rover deliveries increased 3 per cent to 321,000 on improved international sales.

BMW announced that Volker Doppelfeld, its long-standing finance director, would be replaced by Günter Lorenz, head of financial services. As expected, Mr Doppelfeld has been proposed for a seat on the supervisory board which will become vacant later this year.

Racing ahead: BMW announced DM2.18bn capital increase to pave the way for expansion

Lazio takes the lead in race for listing

By Paul Betts in Milan

Lazio of Rome is set to become the first top Italian soccer club to be listed on the stock exchange.

The club, which is one of a handful of Italian clubs operating profitably, said yesterday it had filed a formal application for a listing on the Milan stock exchange this week. It is currently second in the Italian Serie A first division league, trailing Juventus of Turin by two points.

If the club receives the go-ahead from both the stock exchange and Consob, the Italian stock market watchdog, it hopes to launch its flotation early this summer to coincide with the soccer World Cup in France. IMI, the privatised Rome banking group, is acting as Lazio's sponsor and global co-ordinator for the flotation.

By filing its application for a listing this week, Lazio, one of soccer-crazy Italy's oldest clubs founded in 1900, has pipped Bologna in the race to become the first Italian club to be quoted on the stock market. The board of Bologna, another Serie A team, earlier this month approved a proposal to list the club but has yet to file its formal application with the stock market authorities.

Several other top Italian clubs have expressed interest in a stock market listing including Inter Milan, AC Milan, Vicenza, Fiorentina and Juventus.

Sergio Cragnotti, chairman of Cirio, the Italian quoted tomato sauce company which owns 90 per cent of Lazio, had first disclosed his intentions to float the club at the beginning of last year.

At the time he said he was considering a listing on an overseas exchange – probably London – because of the difficulties and time-scale of seeking a quotation in Milan.

However, since the Milan stock market was privatised at the beginning of this year, procedures for listing have been simplified, including the abolition of the old requirement that a company had to show profits for three consecutive years before qualifying. Companies now have only to show their activities generate profits.

Lazio also qualified this week for the semifinals of the UEFA Cup and is a finalist in the Italian Cup. It said yesterday it had earned L251m in its financial year ending June 1997 on revenues of L75bn ($41.7m), compared with profits of L165m on revenues of L67bn in the previous financial year.

Mr Cragnotti said last year that a flotation of Lazio would provide value for Cirio shareholders and allow it to promote its products around the world.

Orders climb strongly at Renault trucks arm

By David Owen
in Paris

Renault VI, the truck and bus division of the French car group, yesterday set the stage for a strong recovery in annual profits by announcing that that its order book had doubled in the space of a year.

The order book, at almost 40,000 units on December 31 1997, amounts to 55 per cent of 1997 sales of 72,280 units and comfortably outstrips the near 29,000 attained at the end of 1994, the highest level of recent years.

"After the recovery observed in the second half of 1997, the Renault VI group should be back in the black in 1998," the company said.

The Renault group as a whole recently marked its centenary by reporting 1997 net income of more than FFr5bn ($817m), a sharp turnround from the previous year's loss of more than FFr5bn.

Yesterday's news on orders came as Renault VI reported reduced annual net losses of FFr336m, compared with FFr791m in 1996. At the operating level, the loss was cut to FFr163m, against FFr672m in 1996.

The company said operating performance had turned marginally positive in the second half.

These global figures masked contrasting pictures in the US and European branches. Mack's contribution to consolidated operating income doubled from FFr147m to FFr297m, but the European division contributed a FFr460m loss, after exceptional costs, against a loss of FFr819m in 1996.

However, Shémaya Lévy, chairman, said he expected the European branch to make a profit in 1998. The group said Mack should "continue to show a hefty profit".

In 1998, RVI said, truck markets should again become more buoyant in Europe, while North America and worldwide exports should remain high.

The company has invested heavily in new models in recent years and is making concerted efforts to cut costs.

Research and development and capital spending fell to 6.4 per cent of sales in 1997, against 8.2 per cent the previous year. Net debt was cut by FFr425m year on year to FFr4.21bn at December 31 1997.

"For Renault, the lorry is part of its *métier* today, tomorrow and the day after tomorrow," Mr Lévy said.

Exports drive Skoda advance

By Robert Anderson in Prague

Skoda Auto, the Czech carmaker 70 per cent owned by Germany's Volkswagen group, yesterday reported a sharp increase in net profits to Kc1.17bn ($34.6m), after strong export growth.

Profits jumped from Kc163m in 1996, when the company ended several years of losses.

Skoda, the leading car producer in central Europe, said sales rose 53 per cent, from Kc58.9bn in 1996 to a record Kc90.1bn. It hoped to reach Kc115.6bn this year.

The group has more than 50 per cent of the Czech car market, but sales have been driven by exports, which represent 70 per cent of production. Sales grew strongly in its biggest markets of Germany, Slovakia and Poland, where sales jumped 76 per cent.

The group expects to produce 410,000 cars this year, up from 357,170 in 1997, itself a 36 per cent rise on the year before. By 2000 it hopes to produce 500,000 cars a year.

Last year Skoda made 296,580 of its small Felicia model and 60,590 Octavias in their first full year of production. Output of the Octavia, based on the chassis platform of VW's fourth-generation Golf, will be stepped up to 110,000 this year.

This year Skoda remodelled its Felicia and introduced an estate version of the Octavia. It is expected to replace the Felicia late next year with a model based on the chassis platform of the VW Polo and to introduce a third model in 2001-2002 which will take it even further upmarket. This will be based on the chassis of the Audi A4.

Asia downturn hits Gucci

By Alice Rawsthorn

Gucci highlighted the impact of Asia's economic difficulties on the luxury goods industry yesterday by announcing a decline in net income to $42.1m in the fourth quarter of its last financial year, from $52.5m in the preceding year.

Despite the fourth-quarter reduction, Gucci managed to muster growth in both turnover and income for the full year to January 31.

Net income rose to $175.5m, from $168.4m the previous year, on net revenue of $975.4m against $880.7m.

Domenico De Sole, Gucci president and chief executive, said he was "heartened" by the group's performance in "what was obviously a very difficult year".

The downturn in Asia, until recently one of the fastest growing and most lucrative regions for the global luxury goods industry, has cast a cloud over Gucci and its rival western luxury brands.

The decline has been most pronounced in the weaker Asian economies, notably South Korea. Mr De Sole said sales within Japan were robust, but the soft yen had prompted Japanese consumers to cancel foreign trips, which had squeezed duty-free sales in Hong Kong and Hawaii.

Net revenue slipped to $257.5m during the fourth quarter, from $260.5m in the year-ago period. Asian revenue fell by 18 per cent to $106.9m and US revenue by 11 per cent to $72.9m. By contrast, the European market remained buoyant with revenue rising by 36 per cent to $71.6m.

Net earnings per share fell to 70 cents in the fourth quarter, from 88 cents a year ago, but rose to $2.92, from $2.85, in the full year. Gucci's shares, which have fluctuated on speculation of a bid, rose by Fl 4.30 to close at Fl 99.30 in Amsterdam on the announcement.

The results would have looked worse without the acquisition of Gucci's long-standing watch supplier in November, which subsequently contributed $33m to net revenue.

Mr De Sole described the deal as "a very good move at the right time".

He stressed that the outlook for the current year was "uncertain" because of Asia's instability, but said Gucci intended to press ahead with its store opening and product diversification plans.

The group invested roughly $80m in capital expenditure last year, including a sizeable sum to build the first of its new luxury superstores on London's Sloane Street. Mr De Sole said it would spend a similar amount this year, when the group plans to open six Japanese stores, two in the new Hong Kong Airport and a flagship superstore in Milan.

GEC prepares to sever links with Aitken

By Roger Taylor

General Electric Company, the UK electronics group, is set to end its link with Jonathan Aitken, the disgraced former minister, just weeks after appointing him as an adviser.

The news followed concerns that the appointment may infringe US federal guidelines on business ethics after Mr Aitken was arrested on Tuesday in connection with allegations of perjury and conspiracy to pervert the course of justice.

Yesterday the company said Mr Aitken, who was later released on bail, had been hired as an adviser on a "short-term project" that was "almost complete". Observers thought it unlikely he would be re-hired.

GEC had recently confirmed the appointment of Mr Aitken to help it secure defence sales in the Middle East for GEC-Marconi, its defence arm. He was thought to be looking into marketing opportunities in Saudi Arabia, where he has close connections with the ruling royal family.

His recent arrest concerned a failed attempt to sue the Guardian newspaper over accusations that he had accepted hospitality from members of the Saudi royal family while UK minister for defence procurement.

Experts warned yesterday that hiring Mr Aitken risked infringing the US federal sentencing guidelines on business ethics. Under the 1991 guidelines, courts are required to impose harsher penalties on businesses found guilty of malpractice if they have failed to meet certain standards in the way they conduct themselves.

Mr Win Swenfon, head of the business ethics service at accountants KPMG in New York, who helped draw up the guidelines while he was deputy general counsel at the US Sentencing Commission, said: "Theoretically, if the company ran into later problems, it is conceivable that the courts would look at these events."

OIL EXPLORER SAYS 'EXTRAORDINARILY HIGH BIDS' ARE BEING MADE IN THE GULF OF MEXICO

British-Borneo warns on leases

By Virginia Marsh

British-Borneo Petroleum Syndicate, the independent oil explorer, said yesterday that other companies had started "throwing silly amounts" of money at leases in the Gulf of Mexico.

Alan Gaynor, chief executive, said there had been "extraordinarily high bids" in the latest round, the results of which were released earlier this week.

"This is companies playing catch-up," he said. "The big bids were mainly from companies not well-established in the region."

While British-Borneo would have liked to have bid for and won more, the round had underscored the value of its assets in the region. The company has shares in about 100 leases there, mainly in deep water areas off Louisiana and Texas.

Mr Gaynor said British-Borneo, which also has interests in the UK, was now looking to add a third regional leg to its business.

Given low oil prices and the high share of oil in its future production, he said that the company was particularly interested in opportunities in gas.

West Africa, Brazil and Australia were among possible areas of expansion. However, the company might also consider opportunities in Asia.

"You have to look at what's unfashionable at the moment," said Mr Gaynor, who, with his management team, has a reputation for innovative deals. "But [international expansion] is not something we're rushing into. In this price environment, people are throwing deals at us every week.

"But it's not our ambition to have the British-Borneo flag flying in 20 countries."

Profit after taxation last year was £14m ($23m), against £14.4m, on sales of £56.2m (£54.2m). Oil and gas capital expenditure more than doubled to £211.2m (£93.4m). Proven and probable booked reserves rose 43 per cent to 135m barrels of oil equivalent.

Earnings per share were 6.09p, down from 7.62p, adjusted for last year's rights issue and share split.

The shares rose 1½p to close at 340½p.

Acquisitions help lift Bodycote

By Andrew Edgecliffe-Johnson

Shares in Bodycote International rose 110p to £11.57½ yesterday as the metal technology company reported that acquisitions and strong organic growth had fuelled a 77 per cent advance in 1997 pre-tax profits to £51.1m ($85m).

The results, which also showed a 61 per cent rise in turnover to £206m, were the first since Bodycote raised £99.3m for the £60.7m takeover of Hit, a French heat treatment group. The company saved about £2.25m by not underwriting the deeply discounted rights issue, priced at 500p.

John Chesworth, chief executive, said there had been some concern among analysts at the time about its rush of equity-backed acquisitions, but added: "They can't be anything but happy at the moment following these results."

Bodycote, which has about £20m of net cash left after the fundraising, had "one or two more deals in the pipeline" in the US and continental Europe, he said, but "we will not spend as much on acquisitions this year, as there is not the same size of opportunity as Hit".

Organic growth of 27 per cent partly reflected stronger markets in heat treatment, which accounts for half of group profits.

Hot isostatic pressing, in which Bodycote claims a 70 per cent share of western markets, brought prices down to encourage higher volumes, particularly in the US. The 14 per cent volume increase fed through to a 4 per cent profit rise last year.

Acquisitions helped lift materials testing sales by 53 per cent, but lower margins in acquisitions held profit growth back to 19 per cent.

COMMENT

Eurostar

Fly to Paris on Eurostar. For British Airways to team up with National Express to run Eurostar looks odd. The loss-making train service is at the heart of one of the messiest collapses in infrastructure projects since Eurotunnel. It is barely two months since Eurostar's parent, LCR, delivered its ultimatum: an extra £1.2bn of public funds or the high-speed link dies. The gap could not be bridged by the private sector. Or so we were told.

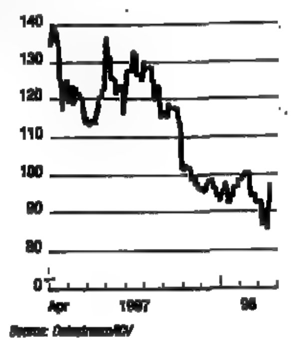
Now its promoters have hit upon a new way to make the numbers add up, and the project is twitching into life. They suggest that whoever runs Eurostar does so under a management contract. National Express with BA, or Virgin, will bid to operate the trains for a subsidy. Their bids will be based on passenger forecasts. But these can be unreliable: the last set got the project into its current mess.

BA should leave running Eurostar to LCR, the government and rail experts. If it can earn extra revenue on an arms-length basis selling its skills in yield management or reservation systems, fine. But closer involvement, such as joint marketing or involving Eurostar in its frequent flyer programme, would attract attention from Europe's antitrust authorities. That hardly seems sensible just as it is trying to clinch its alliance with American Airlines.

Newcastle United

Assuming the allegations stick that two Newcastle United non-executive directors treated the football club's customer-fans with contempt, the other non-executives should ask them to resign. That might limit the damage to both the company's reputation and its sales of replica kit. Meanwhile, the fans' suspicion of its quotation has grown. They are right to be angry, but wrong to be prejudiced against its plc status. As shareholders, they should criticise the share price performance, just as they do the team's poor form. Newcastle floated with an overambitious plan to develop a £65m stadium, following years of overspending on players that left it heavily indebted. Thanks to the flotation – at an inflated price – it now has enough money in the bank to help redevelop St James' Park and belatedly invest in developing young players. Assuming the club avoids relegation, it might become a recovery stock.

Newcastle United
Share price since flotation (pence)



Source: Datastream/ICV

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amec	Yr to Dec 31	2,774	(2,769)	68.4♥	(27.2♠)	16.5	(4.7)	3.25	July 1	2.5	5	4
Baldwin	Yr to Oct 31	57.8	(48.8)	2.81♠	(1.65♠)	7.3	(4.3)	2.5	May 6	2.5	4	4
Baynes (Charles)	Yr to Dec 31	273.1	(251.1)	24.2♥	(22.5)	9.34†	(8.39)	2.05	May 29	1.85	3.2	2.9
Bodycote Intl	Yr to Dec 31 ★	206.5	(128.3)	51.1♥	(26.9♥)	44.3†	(31.4)	6.5	July 1	4.8	10	7.4
Bovis Homes	Yr to Dec 31 ⁂	248.9	(267.5)	37.3	(23.3)	22.8	(16.3)	-	-	-	-	-
British-Borneo	Yr to Dec 31	58.2	(54.2)	18.6♥	(19.5)	6.09†	(7.62#)	1.75	June 8	1.75#	2.75	2.75#
Burford	Yr to Dec 31	38.7	(32.9)	24.7♥	(15.1♥)	4.57†	(3.3)	1.25	June 8	1.15	2.3	2.1
Capital Corp	Yr to Dec 31 ★	61.3	(43.5)	12.4♠	(9.43♠)	7.86	(6.44)	3	May 20	6	5.125	8.125
Cattles	Yr to Dec 31	375.4	(333.2)	55.1♥	(33.9)	27.8	(17)	6.55	May 20	5.5	9.8	8.3
Clydeport	Yr to Dec 31	20.6	(17.4)	7.86	(5.31)	18.95	(13.59)	3.8	May 21	3.3	5.525	4.8
Cobham	Yr to Dec 31	322.8	(289.6)	52.3	(43.7)	38.3	(32.8)	9.2	July 3	7.8	13.25	11.3
Courtaulds Textiles	Yr to Dec 31 ★	911.5	(1,007)	38.4♠	(0.4♠)	26.4	(5L)	10.1	May 18	10.1	15.3	15.3
Evans Halshaw	Yr to Dec 31	870.4	(670.8)	21.4♥	(9.32L♠)	46.9	(32.9L)	11.5	May 11	11	17	16.5
Fired Earth	Yr to Dec 31	11.2	(8.17)	1.41	(0.752)	18.2	(8.7)	2.3	May 21	1.2	3.5	2.3
Fisher (James)	Yr to Dec 31	62.3	(38)	9.31♥	(5.07♥)	18.02†	(14.12)	2	May 13	1.75	3.2	2.75
Geest	53 wks to Jan 3	458.5	(401.5)	24.4	(32.3♥)	24.8	(37.1)	6	July 3	4.7	10	8.4
Hardy Oil & Gas	Yr to Dec 31 ☆	38.3	(37.1)	6.22	(6.16)	4.8†	(5)	1	June 1	1	1	1
HR Owen	Yr to Dec 31	378.3	(353.4)	4.12	(2.5)	1.46	(1)	0.4	May 14	0.33	0.8	0.66
Ilion	Yr to Dec 31	203.1	(146.9)	6.1♠	(6.01♠)	15.1	(17.2)	4	May 29	4	6	5.7
Irish Life ♣	Yr to Dec 31	913.8☐	(743.8☐)	190.8	(153.1)	39.13	(31.42)	9.3	May 22	8.5	13.2	12.05
Jeyes	53 wks to Jan 3	106.5	(112.9)	2.41	(2.94♥)	7.8	(9)	1.2	May 15	1	1.8	1
Johnson Fry	Yr to Dec 31	21.8	(33.3)	0.268L♥	(2.44)	4.5	(15.9)	2	May 20	2	4	4
Kwik-Fit	Yr to Feb 28	472.8	(426.9)	55.1	(43.3♥)	22.3	(17.2)	4.15	Apr 24	3.5	6.5	5.6
MDIS	Yr to Dec 31 ★	116.9	(107.4)	0.221♥	(49.5L♠)	0.22	(48.94L)	nil	-	nil	nil	nil
Moorepay Φ	Yr to Dec 31	5.26	(5.12)	1.39	(1.33)	9.04	(8.26*)	1.8	‡	1.61*	4.67	4.16*
Morrison (Wm)	Yr to Feb 1	2,297	(2,178)	151.4	(135.8)	12.52	(11.01)	1.7	May 15	1.375	2.1	1.7
Multimedia Corp Φ	Yr to Dec 31	0.906	(2.35)	2.72L	(0.998L)	8.53L†	(3.46L)	-	-	-	-	-
National Express	Yr to Dec 31	1,134	(482.5)	54.8♠	(60.1♠)	34.2†	(42.9)	9.5	May 1	8.1	13.5	11.5
Rockwood Mineral	Yr to Dec 31	48.6	(27.1)	2.55	(1.83)	4.78	(5.95)	2.3	June 19	2.3	3.3	3.3
St James's Place	Yr to Dec 31 ◆	-	(-)	51.8	(48.6)	8.8	(8.1)	0.75	May 8	1.125	1.5	1.125
Servisair	Yr to Dec 31	162.3	(153.9)	6.97	(7.14)	12.4	(12.7)	3.55	May 27	3.46	5.3	5.1
Swallowfield	Yr to Dec 31	49.7	(43.4)	3.7	(3.52)	21†	(18.1)	4.7	May 29	4.3	8	7.3
Telewest Comms	Yr to Dec 31	366.5	(290.3)	310L	(249.9L)	21.8L	(17.7L)	-	-	-	-	-
TAb $	Yr to Dec 31	1.51	(0.744)	18.8L	(12.7L)	0.74L†	(0.88L)	-	-	-	-	-
Travis Perkins	Yr to Dec 31	555.8	(518.5)	49.7♥	(39.8)	33.8	(25.8)	7.7	May 18	7	11	10
Trinity Intl	Yr to Dec 28	324.8	(332.5)	64.1♥	(56.2♥)	31.8	(28.3)	9.2	May 1	8.2	13.2	11.8
Ugland Intl	Yr to Dec 31	89.4	(63.2)	13.3♠	(3.05♥)	9.81	(5.96)	2.95	June 30	1.92	4.95	4.72
Workplace Tech	Yr to Dec 31	65.9	(52.1)	1.83♠	(1.04♠)	2.17	(0.39L)	0.27	May 12	-	0.27	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Dunedin Income	Yr to Jan 31	213.44	(170.04*)	10.1	(10.3)	6.32	(6.45*)	4.05	Apr 23	3.87*	6	5.78*
Exeter Preferred	Yr to Jan 31	258	(189.5)	0.506L	(0.138)	2.17L	(0.59)	nil	-	0.59	nil	0.59
Kleinwort Smaller	Yr to Jan 31	223.9	(210.2)	0.349	(0.494)	2.64	(3.74)	1.3	May 19	2.3	2.6	3.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ★ Comparatives restated. ⁂Comparatives pro forma. #Adjusted for share consolidation. ☆ Comparatives for nine months. ♣Irish currency. ☐Net life premiums. ΦAim stock. ‡Already paid. ◆Pro forma; comparatives for nine months. $US currency. *Adjusted for scrip issue.

Cattles set for 'quantum leap'

By George Graham

Cattles, the credit company that targets higher-risk borrowers, saw its shares rise 8 per cent yesterday to 584½p as it held out the prospect of annual earnings growth rates above 20 per cent.

The rise was echoed by other second-tier financial companies, whose shares have begun to attract the attention of investors who feel the mainstream banks are losing steam after two years of outperformance.

St James's Place, the holding company for life assurer J Rothschild Assurance, climbed 22 per cent to 283½p, and Sun Life & Provincial, another life assurer, rose 5 per cent to 641½p.

Cattles' traditional business, in which it lends sums up to £500 ($835) to lower income families with repayments collected in person each week, has delivered a steady stream of earnings for the last five years.

But Eddie Cran, chief executive, sees the potential for much faster growth in other forms of lending to households which are turned down by conventional credit scoring techniques.

"There is an opportunity now for a quantum leap."

Cattles has been working with some small retailers and conventional finance providers, heavily reliant on credit scoring, to take over the lists of customers they reject as not creditworthy. The company covers its high servicing costs by charging interest rates of 30-40 per cent, and can accept many of these sub-prime credit risks as clients.

This is attractive to retailers, because they want more customers to be able to buy their goods, and to the finance houses, who which can win more business from retailers if they can cut their rejection rates.

Mr Cran said Cattles simply could not handle all the potential business from the big retail groups, some of which are rejecting 10,000-15,000 clients as bad credit risks every week.

Cattles lifted 1997 profits 17 per cent to £39.6m before a £15.5m exceptional gain.

Asian weakness buoys Ugland

By Arkady Ostrovsky

Strong car exports from South Korea and Japan aided by Asian currency weakness helped Ugland International turn in a strong set of full-year figures – its first since restructuring to become a vehicle shipper.

The company underwent its transformation following a £100m reverse takeover in 1996 which combined the Ugland family's vehicle shipping interests.

Ugland said 40 per cent of its revenue came from transporting export vehicles for Nissan and Daewoo, after domestic sales slumped in the wake of the economic upheaval in the region.

Overall turnover for 1997 increased from £63.2m to £89.4m, of which £73m (£39.1m) derived from continuing operations.

The vehicle transportation business contributed £22.9m (£3.2m) to underlying profits from continuing operations of £24.1m (£4.5m) on turnover of £39.1m (£3.16m).

Refrigerated vessels generated operating profits of £4.9m (£3m) on turnover of £35.7m (£28.6m).

The pre-tax figure improved from £3.05m to £13.3m after net exceptional losses of £7.1m (£350,000) from the discontinued container vessel fleet and container liner operations.

Last month Ugland acquired the US-based Auto-Port group for £12.2m.

Prices lower in nervous trading

GOVERNMENT BONDS

By Vincent Boland in London and John Labate in New York

Bond markets closed lower in nervous trading after evidence of an increase in US inflation and an interest rate rise in Finland again raised the possibility of generally higher rates.

Activity was subdued in both the cash and futures markets, but inflation and interest rate news hit both short and long-dated stock.

"Yield curves all moved higher and flattened on that combination of negatives for the short and long ends," said Graham McDevitt, head of global bond strategy at Paribas in London.

Markets took their cue from US TREASURIES, which retreated after the release of new figures on consumer prices and trade. By midday the 30-year benchmark bond was down $\frac{11}{32}$ at $102\frac{11}{16}$, sending the yield up to 5.931 per cent.

Among shorter-term issues the two-year note fell $\frac{1}{32}$ to $99\frac{29}{32}$ yielding 5.550 per cent while the 10-year note was down $\frac{5}{32}$ to $99\frac{5}{32}$, yielding 5.611 per cent.

Consumer prices in February were reported to have risen 0.1 per cent, in line with expectations. However, the core rate, excluding energy and food, was up 0.3 per cent, slightly higher than expected.

The latest US trade figures showed the deficit grew to $12.04bn in January, from *December's $10.9bn*. Much of the decline in exports was attributed to a fall in aircraft sales. Also, in the latest sign that the labour market remains tight, a separate release of initial unemployment claims showed a rise of 9,000 to 308,000 in the week to March 14.

"The market is still in this situation where the domestic economy remains strong and the Asian crisis hasn't yet affected the US economy in terms of trade," said Kathleen Stephansen, senior economist at Donaldson, Lufkin & Jenrette.

GERMAN BUNDS buckled after the US figures, ignoring some positive domestic data. Money supply grew at a slower rate than expected in February, while the widely watched Ifo survey of *business confidence fell* slightly in the month.

Both were regarded as positive for interest rates, but Finland's move, for domestic reasons, was a jolt. The Bundesbank yesterday left its own interest rate regime unchanged, but analysts recalled that the last time the Finns raised their rates, the Germans quickly followed suit.

Though the two events were not linked, the effect yesterday was psychological. The June bund future settled down 0.32 at 107.44, with about 320,000 contracts changing hands on the DTB by late afternoon.

In FRENCH BONDS, the notional June future settled 0.39 lower at 103.77.

UK GILTS were also hit by news from the US while the *long end was further undermined* by the European *Investment* Bank's move to increase its long-dated sterling bond, a so-called "gilt surrogate", to £750m. The June gilt future settled at $107\frac{23}{32}$, down $\frac{13}{32}$, on turnover of 75,000 contracts.

The calendar of new gilt issuance was also published, with £14.2bn of new gilts said to be coming on stream, compared with redemptions of £16.7bn.

Andrew Roberts, director of bond market strategy at UBS, said the calendar would make the government a net redeemer of gilts for the first time since 1991 and leave the market starved of liquidity at a time of heavy demand.

"There is demand/supply mismatch which has not *been addressed properly*," he said.

DMO to auction $14.2bn of gilts

By Vincent Boland

The UK Treasury said yesterday the new debt management office (DMO), which is to take over responsibility from the *Bank of England* for running the government bond market, would hold six gilt auctions in the 1998-99 financial year to finance the government's £14.2bn borrowing requirement.

Some £10.7bn of the requirement will be raised by issuing conventional gilts, with an additional £3.6bn in index-linked gilts.

The conventional gilts will be issued in four auctions, on May 20, July 29, late November/early December, and March 24 next year.

Auction sizes will range from £2bn to £3bn, with 25 per cent in short-dated gilts, 25 per cent in mediums and 50 per cent in longs.

There are no current plans to issue gilts with a maturity of less than three years, *although* existing issues may be added to for market management purposes, the Treasury said in its quarterly debt management report.

The DMO will offer to convert non-strippable gilts into benchmark strippable issues. "Assuming market conditions allow, liquidity in the new short benchmark stock should be partly addressed by conversion offers," the report said.

Two auctions of index-linked gilts will be held, on October 28 and January 27, ranging from £500m to £1bn. The rest will be in form of taps, which will be issued in the first half of the year.

The DMO plans to issue at least £2.5bn of index-linked gilts a year to maintain liquidity, and a separate market-making group is also to be introduced.

NEWS DIGEST

SOUTH KOREAN REFINANCING

Strong response paves way for ratings upgrade

The strong response to South Korea's *programme for refinancing* short-term bank debt should encourage rating agencies to upgrade the country's credit rating and pave the way for its expected return to the international capital markets, bankers close to the deal believe.

With positive responses of almost $22bn, covering 97 per cent of the short-term bank debt affected, the *deal – hatched amid* fears that Korea would default on its international obligations last Christmas – is due to be signed in Seoul on March 31.

Bill Rhodes, the Citibank vice-chairman who co-ordinated syndication of the refinancing, said replies were well above the $17bn seen as the minimum for the refinancing to count as a success. A further sign of market confidence in the administration of Kim Dae-jung, Korea's new president, was the fact that some 40 per cent of creditors having opted for the longest, three-year refinancing option, he said.

The feeling that South Korea's prospects were now improving had already led to an increase in trade finance and augured well for a speedy return to the capital markets, he added.

Bankers expect South Korea to launch a $3bn bond issue early next month through Goldman Sachs and Salomon Smith Barney, but it may have to pay 350 to 400 basis points more than US Treasury yields because it is still not rated investment grade by Moody's and Standard & Poor's, the largest US agencies.

Korea aims *to build up its reserves* to $40bn this year and is expected to stagger its borrowing programme to exploit the prospect of its ratings being raised. Thailand is expected to follow Korea to the international capital markets with a bond issue in May. **Peter Montagnon, London and John Burton, Seoul**

EMERGING MARKET DEBT

Threat seen to JP Morgan's lead

The supremacy of J.P. Morgan *in the market for Brady bonds* and other emerging market debt is rapidly coming under fire, according to the latest annual survey by Emerging Markets Investor, the trade publication.

J.P. Morgan came out top again last year, but increased its trading volume by only 12 per cent to $1,052bn. Chase is esti*mated to have increased* its volume by 56 per cent to $810bn, while Deutsche Morgan Grenfell achieved a 202 per cent increase to $790bn.

Overall, volumes for the top 20 houses increased by 81 per cent in what was an extraordinarily volatile year for emerging debt markets. Spreads had narrowed to record levels during the first three-quarters of the year, only to collapse as the Asian crisis engulfed Hong Kong and Korea. A number of banks have had to make substantial provisions to cover exposure to Asian debt.

The European banks continued to make strong headway. ING Barings maintained its fifth position with volume of $325bn, but ABN Amro, UBS and Paribas moved strongly up the ranks. Other strong performers included Lehman Brothers, while Citibank and Bear Stearns lost ground. *Simon Davies*

UK student loan bonds launched

INTERNATIONAL BONDS

By Simon Davies and Samer Iskandar

The UK's student loan bond market got off to a healthy start yesterday, when Greenwich NatWest launched £1.03bn of bonds through The Higher Education Securitised Investments Series No 1 (Thesis).

The bonds were issued in four tranches, rated from Aaa/AAA to Baa3/BBB, and the £767.5m top-rated tranche was 1.53 times subscribed. "It was the introduction of a new asset class into the sterling market, and there was a strong interest from a wide range of accounts," said NatWest.

However the third, £101.3m tranche, was marginally undersubscribed. The government is expected to sell a further £2.5bn of stu*dent loans in the next year.*

The EUROPEAN INVESTMENT BANK increased its 30-year sterling bond by £250m to £750m.

"This was a case of there not being enough long duration stock in the sterling market to meet demand," said Goldman Sachs, joint lead manager. It claimed this was the largest EIB sterling deal to be launched in a single tranche.

HAMMERSON, the UK property group, also capitalised on sterling bullishness with a £200m 30-year issue, as did TMCC, the financing arm of Toyota, the Japanese car manufacturer.

TMCC, which usually targets retail investors with short-dated issues, yesterday widened its investor base with a 10-year deal aimed at institutional investors.

CADES, the French state-backed entity that manages the debt of the social security system, launched the first, French franc-denominated tranche of a multi-currency euro-fungible programme.

● In a roadshow for Russia's planned DM1bn seven-year bond, Mikhail Zadornov, finance minister, said this year's overall borrowing volume would again total some $10bn. Andrew Fisher writes from Frankfurt.

Roughly one-third would come from the World Bank and the International Monetary Fund, up to $3.5bn from capital markets, and a further $3bn from credits tied to the supply of goods or services.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Goldman Sachs Group(a)‡	500	(a1)	99.71R	Apr 2005	0.300R	–	Goldman Sachs
■ STERLING							
Thesis No 1(b)‡	1.03bn	–	–	–	–	–	Greenwich NatWest
European Inv'ment Bank(c)	250	6.00(s)	98.45R	Dec 2028	0.45R	+25(6%Dec28)	Barclays/Goldman Sachs
Toyota Motor Credit Corp	250	6.25(s)	99.146R	Dec 2007	0.325R	+35(7¼Dec07)	Barclays/Merrill
Hammerson plc	200	7.25	99.131R	Apr 2028	0.625R	+130(Jun21)	Barclays/HSBC Markets
Rheinische Hypotekenbank	150	7.125(i)	99.905R	Apr 2000	0.125R	+59(8%Dec00)	Lehman Brothers
■ FRENCH FRANCS							
Cades	4bn	5.25	99.684R	Oct 2012	0.375R	+18(l)	CAI/JP Morgan
Bank Austria‡	375	(d)	100.325R	May 2008	0.325R	–	CDC
■ GUILDERS							
VNU(e)§	650	2.75	100.00	Apr 2005	2.50	–	ING Barings/MSDW
Wolters Kluwer	500	5.25	99.77R	Apr 2008	0.425R	+37(l)	ABN Amro
■ EUROS							
Parmalat Finance Corp‡	500	(f)	100R	Apr 2005	0.35R	–	JP Morgan/Paribas
■ NEW ZEALAND DOLLARS							
Toyota Finance Australia	100	8.25	101.285	Apr 2001	1.375	–	TD Securities
Commerzbank	100	8.25(i)	100.99	Apr 2000	1.25	–	Hambros/RBC Dominion
■ AUSTRIAN SCHILLINGS							
BEAL Cayman Ltd	750	6.375	99.75R	Apr 2001	0.25R	+220(Mar01)	Bank Austria

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Callable from Apr 01 at par. a1) 3-mth Libor +30bp. b) 6-tranche deal backed by student loans originated by the Student Loan Company. c) £500m launched Wednesday increased to £750m. d) 4% until 27/05/02 then Tec-10 –20bp. e) Conversion price Fl 91.13. Callable after 3 yrs subject to 130% hurdle. f) 3-mth Libor +45bp. l) Over interpolated yield. i) Long 1st coupon. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Mar 19	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	04/00	7.000	103.9051	4.98	–0.01	–0.08	–0.17	–1.75
	10/07	10.000	130.8310	5.72	+0.01	–0.14	–0.04	–2.25
Austria	08/99	7.000	104.1400	4.05	+0.02	+0.04	+0.02	–0.05
	07/07	5.625	104.7000	4.99	+0.05	+0.03	–0.04	–0.84

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	104.11	103.77	–0.39	104.15	103.76	73,431	117,791

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.66	103.44	–0.26	103.72	103.60	1,763	4,777
Sep	–	103.44	–0.28	–	–	–	–

US CORPORATE BONDS

■ HIGH YIELD

Sierra Gas	03/01	9.88	B	101.5000	0.00	–	–	–
AK Stl	12/01	9.13	BB–	108.7500	9.00	–	–	–
Pacella	08/04	10.75	B–	99.5000	0.00	–	–	–

NY closing. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	$8\frac{1}{2}$	One month	-	Two year	5.53
Broker loan rate	$7\frac{1}{4}$	Two month	-	Three year	5.53
Fed.funds	$5\frac{3}{4}$	Three month	5.17	Five year	5.57
Fed.funds at intervention	-	Six month	5.28	10-year	5.59
		One year	5.35	30-year	5.90

INTERNATIONAL BONDS

Mar 19	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Mth's chge yld	Spread v Govts
■ EURO DM								
EIB	02/07	5.750	AAA	105.8100	4.93	+0.04	–0.03	+0.11
Spain	01/07	5.750	AA	105.2000	4.99	+0.05	–0.03	+0.17
■ EURO C$								
Bayer L-Bk	08/04	7.500	AAA	118.7470	5.71	+0.01	–0.02	+0.27
Toronto	05/04	8.500	AA+	114.5894	5.83	+0.01	–0.04	+0.19
Bell Canada	07/99	10.625	A+	108.2300	5.51	–	–0.12	+1.02
Deutsche B FRN	00/02	5.875	AAA	101.5843	5.47	+0.01	+0.05	+0.13
■ EURO YEN								
World Bank	03/02	5.250	AAA	116.6221	0.99	–	–0.22	+0.15
Spain	03/02	5.750	AA	118.3500	1.04	+0.01	–0.18	+0.20
Cred Foncier	08/02	4.750	A	113.3814	1.68	–	–0.15	+0.72
Italy FRN	07/99	0.797	AA	100.3202	0.28	–	–0.14	–0.09

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

10 YEAR BENCHMARK SPREADS

EMERGING MARKET BONDS

UK BONDS

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Thu Mar 19	Day's change %	Wed Mar 18	Accrued interest	xd adj. ytd
1 Up to 5 years (19)	119.58	–0.07	120.14	1.77	2.73
2 5-15 years (20)	162.42	–0.29	162.88	2.88	1.70
3 Over 15 years (5)	200.20	–0.57	201.35	2.54	1.99
4 Irredeemables (4)	250.86	–0.91	253.17	4.29	1.07
5 All stocks (48)	154.37	–0.28	155.01	2.41	2.26
Index-linked					
6 Up to 5 years (2)	214.17	–0.05	214.28	0.68	2.24
7 Over 5 years (10)	221.20	–0.15	221.52	1.30	1.85
8 All stocks (12)	219.39	–0.14	219.69	1.23	1.88

UK Indices

	Low coupon yield Mar 19	Mar 18	Yr. ago	Medium coupon yield Mar 19	Mar 18	Yr. ago	High coupon yield Mar 19	Mar 18	Yr ago
5 yrs	6.17	6.14	7.13	6.27	6.23	7.19	6.29	6.26	7.23
15 yrs	5.93	5.87	7.61	5.95	5.90	7.61	6.05	6.00	7.53
20 yrs	5.92	5.87	7.69	5.93	5.88	7.54	6.06	5.99	7.54
Irred.†	6.05	5.99	7.77						

	Inflation 5% Mar 19	Mar 18	Yr. ago	Inflation 10% Mar 19	Mar 18	Yr ago
Up to 5 yrs	2.81	2.78	3.25	1.98	1.95	2.59
Over 5 yrs	2.90	2.89	3.54	2.69	2.67	3.38

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 13	Yr ago	High*	Low*
Govt. Secs. (UK)	103.80	104.22	104.51	104.49	104.12	93.88	104.51	93.31
Fixed Interest	140.88	140.98	140.92	140.83	140.57	118.05	140.98	115.32

 * for 1997/98. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 140.98 (18/03/98), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Other Fixed Interest

CURRENCIES & MONEY

Two Nordic rate rises engage Europe

MARKETS REPORT

By Simon Kuper and Richard Adams

Finland raised interest rates yesterday, prompting speculation that other likely founders of European monetary union would follow suit. Norway, not planning to join Emu next year, also increased rates yesterday.

Finland denied that the 15-basis-point rise had been coordinated with its European partners. It said that its economic growth, forecast stronger than in other European Union countries, had prompted the increase. Finnish inflation was 1.9 per cent in February, higher than in core EU countries.

However, Tony Norfield, head of treasury research at ABN-Amro in London, noted that many other European countries with stronger growth than Germany might also prefer higher interest rates. He cited the Netherlands, Spain, Portugal and Ireland. He said of Finland's rate rise: "Rather than being seen as something funny going on in some Nordic country, it has had some impact." The market raised its prospects for German rates, selling Euromark futures contracts even though the German Ifo survey of business sentiment and M3 money supply figures, both for February, emerged tame.

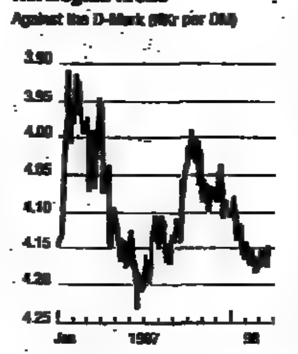
Between the weak economic data and the perceived upward pressure on interest rates, the D-Mark closed in London barely changed against the dollar at DM1.827. The dollar was held back by a large January US trade deficit. It barely moved against the yen.

■ Norges Bank increased its overnight lending rate and its deposit rate by 25 basis points each to 5.75 per cent and 3.75 per cent respectively. Its immediate prompt was not inflation risks but the fall in the krone. The currency has suffered from the slide in the oil price this year: Norway's economy is so open and oil-dependent economy that the central bank's sole mandate is to keep the krone steady.

The rate rise should also help it to control inflation, however. On Wednesday the bank called for tighter fiscal policy to keep prices down, saying it expects economic growth of 5.25 per cent this year. Bengt Hansson, senior economist at Skandinaviska Enskilda Banken in Stockholm, said: "The Norwegian economy is very close to overheating." Norges Bank appears to be seeking an inflation target instead of the present arrangement, he added.

Norwegian krone

Against the D-Mark (NKr per DM)



Source: Datastream/ICV.

Yesterday the krone rose from NKr4.173 to NKr4.149 against the D-Mark. However, Mr Hansson said that with the oil price weak, the krone may soon resume its struggle.

The Bank of Finland raised its key tender rate 15 basis points to 3.40 per cent, 10 basis points above the German repo rate. The bank also raised interest on banks' deposits exceeding their required reserves deposited at the central bank by 15 basis points to 1.40 per cent. The markka was at Fim3.0325/45 to the D-Mark late yesterday.

■ Sterling fell against the dollar after doveish comments from a hardliner on the Bank of England's monetary policy committee swung market sentiment against an interest rate rise next month. Investors had in any case been taking profits on the pound's surge.

Willem Buiter, who voted for rate rises at the committee's January and February meetings, said: "Fiscal policy has made quite a significant contribution to dampening demand in the economy." Professor Buiter's view is at odds with many City commentators, who thought Tuesday's Budget failed to reduce domestic demand.

"I welcome any budget developments, from the point of view of the macro-economic balance, that permits us to do less than we would otherwise have had to do," Professor Buiter said.

Short sterling futures contracts, volatile in recent days, came off somewhat, with the June 2000 contract shedding 7 basis points to 93.59. But a buoyant dollar kept the pound above DM3.05 against the D-Mark in late European trading. The pound fell 0.4 cents against the dollar to $1.668.

Michael Lewis, currency analyst at Deutsche Morgan Grenfell in London, said: "The market now thinks it will have to wait until May for a rate rise."

■ POUND IN NEW YORK

Mar 19	Latest	Prev. close
£ spot	1.6675	1.6715
1 mth	1.6650	1.6690
3 mth	1.6527	1.6638
1 yr	1.6405	1.6442

■ OTHER CURRENCIES

Mar 19	£	$
Czech Rp	[illegible]	[illegible]
Hungary	351.497 - 351.781	210.850 - 210.900
Iran	5004.00 - 5001.00	3000.00 - 3000.00
Kuwait	[illegible]	[illegible]
Peru	4.6435 - 4.6604	2.7850 - 2.7890
Poland	5.7491 - 5.7579	3.4470 - 3.4520
Russia	10.1364 - 10.1431	6.0800 - 6.0810
U.A.E.	6.1227 - 6.1286	3.6729 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Mar 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	[illegible]	[illegible]	275 - 473	21.4797	[illegible]	21.3862	4.0	21.2325	3.8	[illegible]	3.4	102.4
Belgium	(BFr)	[illegible]	-0.1341	126 - 170	62.9470	62.7390	62.6827	3.9	62.2754	3.8	60.7232	3.4	101.5
Denmark	(DKr)	11.6192	-0.017	140 - 243	11.6405	11.5930	11.5838	3.7	11.517	3.5	11.2543	3.1	103.8
Finland	(FM)	9.2444	-0.0164	[illegible]	9.2630	9.2300	9.2137	4.0	9.1535	3.8	8.8225	3.5	80.1
France	(FFr)	10.2160	-0.0144	112 - 207	10.2344	10.1651	10.1818	4.0	10.1177	3.8	9.8622	3.5	104.0
[illegible]													

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 19		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	[illegible]	+0.0097	[illegible]	12.8820	12.8320	[illegible]	2.2	12.7800	2.1	12.617	1.9	102.1
Belgium	(BFr)	37.7080	+0.01	[illegible]	37.7780	[illegible]	37.6363	2.0	37.513	2.0	37.015	1.8	101.5
Denmark	(DKr)	6.9880	+0.0065	[illegible]	6.9811	6.9578	6.9574	1.8	6.9375	1.8	6.8602	1.5	103.2
Finland	(FM)	5.5430	+0.0035	[illegible]	5.5552	5.5376	5.5330	2.2	5.5152	2.1	5.4380	1.9	79.8
France	(FFr)	6.1265	+0.006	[illegible]	6.1395	6.1178	6.1154	2.2	6.0945	2.1	6.0117	1.9	104.3
[illegible]													

WORLD INTEREST RATES

MONEY RATES

Mar 19	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3¼	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.75	-
France	[illegible]	[illegible]	3½	[illegible]	3¾	4.60	-	3.30
Germany	[illegible]	[illegible]	[illegible]	3¾	4	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.75
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	5.50	5.63
Netherlands	[illegible]	[illegible]	[illegible]	3½	[illegible]	-	2.75	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	1½	-	1.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR BBA London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.45	5.49	5.53	5.58	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

The FT has replaced the Libor FT London Interbank fixing rate with the BBA London rate. Any comments should be sent to Martin Dickson, Financial Editor, at the FT.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

[illegible]

■ EURIBOR OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9525	0.22	0.69	0.70	0.17	0.07	0.06
9550	0.10	0.39	0.48	0.30	0.12	0.09
9575	0.03	0.22	0.29	0.48	0.20	0.15

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5508	0.5506	-	0.5506	0.5499	20,312	66,007
Sep	-	0.5529	-0.0002	-	0.5524	48	1,643
Dec	-	0.5558	-	-	-	1	19

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6784	0.6782	-0.0001	0.6789	0.6763	12,681	54,049
Sep	0.6860	0.6853	+0.0003	0.6855	0.6850	2	1,235
Dec	-	0.6920	-	-	0.6920	1	13

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7780	0.7787	+0.0004	0.7813	0.7770	20,988	71,249
Sep	-	0.7882	-0.0001	0.7880	0.7880	116	646
Dec	-	0.7980	-0.0004	-	0.7980	1	115

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6650	1.6606	-0.0040	1.6650	1.6574	10,346	36,559
Sep	-	1.6540	-0.0036	-	1.6510	2	567
Dec	-	1.6500	-	-	1.6440	17	18

UK INTEREST RATES

LONDON MONEY RATES

Mar 19	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7¾ - 6¾	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible] - 7	7¼ - 7	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	7¼ - 7	[illegible]	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Mar 13, 7.0393pc. ECGD fixed rate Stg. Export Finance. Make up day Feb 27, 1998. Agreed rate for period Mar 25, 1998 to Apr 25, 1998, Scheme III 8.77pc. Reference rate for period Jan 31, 1998 to Feb 27, 1998, Schemes IV & V 7.532pc. Finance House Base Rate 8pc from Mar 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9250	0.10	0.34	0.39	0.10	0.13	0.15
9275	0.02	0.11	0.25	0.27	0.25	0.26
9300	0	0.05	0.14	0.50	0.44	0.40

Est. vol. total, Calls 19080 Puts 11584. Previous day's open int., Calls 239131 Puts 209137

EMS EUROPEAN CURRENCY UNIT RATES

Mar 19	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	350.583	-0.369	-1.80	2.04	12
Ireland	0.796244	0.789701	+0.000317	-0.81	1.03	[illegible]
Italy	1957.61	1951.52	-0.29	-0.31	0.52	[illegible]
Spain	168.220	168.009	-0.035	-0.13	0.33	1
Finland	6.01125	6.01036	[illegible]	-0.01	0.22	[illegible]
Portugal	202.692	202.726	-0.053	0.02	0.19	-0
Austria	13.9119	13.9254	-0.0116	0.10	0.11	-1
Denmark	7.54257	7.55140	-0.00167	0.12	0.09	-1
France	6.63186	[illegible]	-0.00148	0.12	[illegible]	-1
Germany	1.97738	[illegible]	-0.00027	0.17	[illegible]	-2
Belgium	40.7844	40.8589	-0.0051	0.18	[illegible]	-1
Netherlands	2.22789	2.23261	[illegible]	0.21	0.00	-2
NON ERM MEMBERS						
UK	0.653644	0.650224	[illegible]	-0.52	0.73	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. [illegible] Sterling suspended from ERM. [illegible] Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
1.650	1.92	2.80	3.04	0.88	2.00	2.51
1.675	1.34	2.13	2.54	1.30	2.34	2.95
1.700	0.81	1.69	2.15	1.88	2.87	3.53

Previous day's vol., Calls [illegible] Puts [illegible]. Prev. day's open int., Calls [illegible] Puts [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM)

Strike Price	Calls Mar	Calls Apr	Calls May	Puts Mar	Puts Apr	Puts May
0.545	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.78
0.550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.98
0.555	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.26

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	457,025
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	374,857
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	290,521

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,114
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	486
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls Apr	Calls Jun	Calls Sep	Puts Apr	Puts Jun	Puts Sep
9625	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.150
9650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.335
9675	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.570
9700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.820

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9875	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.25		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

Platinum, palladium shrug off Russian assurances

MARKETS REPORT

By Robert Corzine, Kenneth Gooding and Paul Solman

Platinum and palladium prices were unaffected by assurances from senior Russian politicians that exports of the metals would begin again soon.

Russia accounts for about 25 per cent of platinum supply and provides for 70 per cent of the world's palladium requirements.

Last year, bureaucratic hold-ups prevented any exports of the metals for the first six months.

Mikhail Zadornov, Russia's finance minister, said in Frankfurt that only a presidential decree was required before exports could begin.

Anatoly Chubais, first deputy prime minister, said in Moscow: "The battle over palladium quotas has begun. By the end of March the document will be issued at all costs."

Nevertheless, the price of palladium remained close to its recent 18-year peak, while platinum's price was at its highest level for nearly five months.

Analysts suggested the market would only react once it saw physical metal leaving Russia. "If I was a palladium consumer, I would say we have heard this before," said Doug Upton, at HSBC James Capel.

Crude oil prices rose again as traders gave Venezuela the benefit of the doubt that it can orchestrate a global cut in world output.

Brent Blend for May delivery was $13.54 a barrel in late trading on London's International Petroleum Exchange, up 43 cents on Wednesday's close. At midday the April futures contract on the New York Mercantile Exchange was up eight cents at $14.42.

The rally has lifted prices above the nine-year lows reached earlier in the week.

Venezuela appears to be trying to convince five or six non-Opec producers to agree to join key Opec states in a temporary cutback in order to underpin prices. Analysts say both Venezuela and Saudi Arabia would have to take part in the scheme for it to have any lasting effect.

On the London International Financial Futures Exchange, coffee futures hit a three-week high before finishing slightly lower. The May contract ended at $1,735, down $4 from Wednesday's close. Brazil released estimates for its 1998-99 coffee crop, but traders said the figures had little influence on the market.

Trading in cocoa futures was active. The May contract closed at £1,073 a tonne, up £7.

Venezuela pours oil on troubled waters

By Robert Corzine

Oil prices continued to be buoyed yesterday by Venezuelan efforts to orchestrate a global production cutback of 1m to 2m barrels a day to stabilise world markets.

On Wednesday, Brent Blend for May delivery closed 85 cents higher in London on hopes that the biggest price fall in nine years might be bottoming.

Yesterday prices once again firmed, with traders citing Venezuela's moves to unite members of the Organisation of Petroleum Exporting Countries with non-Opec producers – such as Mexico, Norway, Russia, Egypt and Oman – in a common effort.

To some, the market's reaction to the Venezuelan initiative was akin to a drowning man at sea clinging to any bit of flotsam.

"It's either a smokescreen to deflect attention [from Venezuela's over-production] or they're naive," said Leo Drollas, director of London's Centre for Global Energy Studies.

Another industry observer familiar with the thinking of Petroleos de Venezuela, the state oil company, said the effort was genuine.

There have also been signs over the past week that Saudi Arabia, which has been angered by Venezuela's chronic over-production, has been promoting the scheme from behind the scenes.

But will it really be that simple to stop the rot that has eroded oil prices by more than a third over the past five months?

At best, the Venezuelan solution seems to offer a temporary fix, assuming that Caracas succeeds in exploiting the clear financial pain now being inflicted on Opec and non-Opec alike. The omens for doing so look reasonably favourable.

Opec has seen its collective revenues fall by about $200m a day this quarter compared with last year, so many chronic quota cheaters may be ready to moderate their behaviour.

Non-Opec producers are also showing signs of strain. This week officials in Moscow said low oil prices implied serious consequences for the Russian economy, while Adrián Lajous, director general of Pemex, Mexico's state oil monopoly, urged producers to "modulate" supply to stabilise the market.

So far so good, the bulls might say. But is this week's rally the equivalent to throwing a cocktail party on the Titanic? After all, icebergs in the form of Iraq, Venezuela and Saudi Arabia, still abound in a foggy sea.

The size and direction of the Iraqi one is hardest to calculate. No one predicted the present situation, in which Iraq is back in the market, but in a way that makes it virtually impossible to calculate when, or how much, Iraqi oil will be exported.

No one wants to give up its quota in favour of Iraqi oil that may or may not turn up. The only thing clear is that Iraqi volumes will rise. So who will make way?

Enter Saudi Arabia and Venezuela. Some say it is obvious that Saudi Arabia should give way. After all, it absorbed most of Iraq's quota when the UN oil embargo was slapped on Baghdad in 1990.

Riyadh's response has been frigid: "We have abandoned once and for all the role of swing producer," said Ali al-Naimi, Saudi oil minister, earlier this month.

The Saudi economy also desperately needs the gas produced along with the oil, making cutbacks doubly difficult. Mr Naimi had a better solution in mind: "One of the main reasons for the price decrease is due to the non-adherence by some Opec countries to their quotas."

Cue Venezuela, the biggest over-producer. On the surface the case against Caracas is clear: it is producing more than 770,000 barrels a day above its quota.

But if the Saudis occupy an entrenched position, so does Venezuela, and it is equally compelling. Opec quotas assume every barrel of oil is the same as another, irrespective of origin. Not so, says Venezuela.

Unlike most Gulf producers, much of Venezuelan's oil is heavy, and needs to be processed in the most advanced, multi-billion dollar refineries set up especially to handle it.

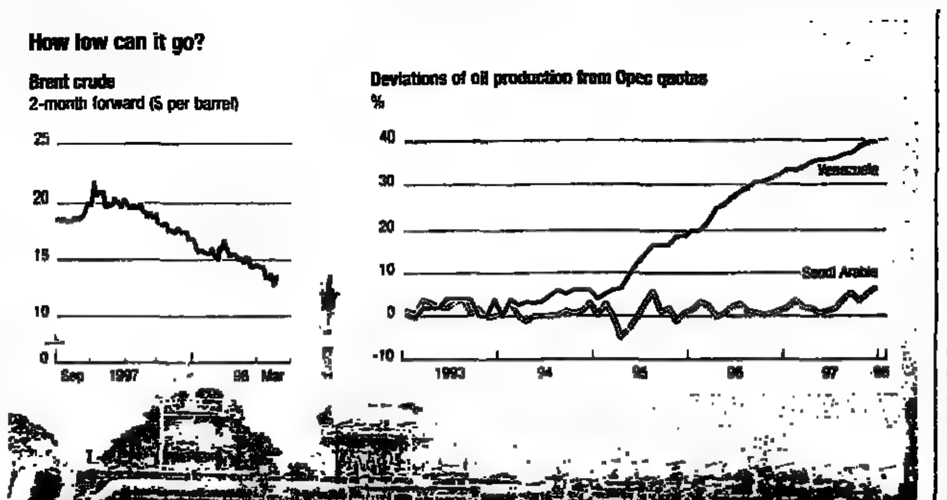
Heavy oil economics are more like that of natural gas, they argue. Expensive infrastructure and uninterrupted supply are needed to turn it into the light fuels that PDV sells in the US, where it is the biggest gasoline retailer through Citgo.

Nor can heavy Venezuelan crudes be diverted easily to other markets, as can Saudi and most other Gulf grades.

The oil world may be global in outlook, but the view is still different depending on where you sit.

See Lex

How low can it go?



CFTC review to include OTC exemptions

By Nikki Tait in Boca Raton

The Commodity Futures Trading Commission, the US regulator for the futures industry, will consider whether its regulatory exemption for most "over-the-counter" derivatives needs revision, as part of a review of OTC trading.

Brooksley Born, CFTC chairman, yesterday listed four issues that would be included in the review, which she admitted would raise "some difficult and controversial issues".

As well as questioning the 1993 exemption for swaps, the review would look at the central definition of a "hybrid instrument"; whether the CFTC should propose sales practices for OTC instruments that fall within its jurisdiction; and what the appropriate regulatory regime for swaps clearing facilities should be.

The review will take the form of a concept release – essentially a request for comments from interested parties – which would be put out within the next month, Ms Born said at the futures industry's annual conference in Florida.

OTC derivatives are risk management contracts set up outside a conventional exchange, usually between large, sophisticated users. Their use has grown exponentially in recent years, and the notional value of transactions outstanding last year was estimated to stand at almost $28,000bn.

The CFTC largely exempted these instruments from regulatory oversight in 1993, but says it will revisit the issue because of the market's growth; the size of losses suffered by derivatives users and dealers on occasion; and new developments in the industry – such as the desire to run swaps clearing arrangements, which are not currently permitted.

Ms Born stressed that the regulator would not go into the review with any preconceptions and added said she did not believe the review would affect the legal status of existing contracts.

● Separately, the New York Mercantile Exchange, the Manhattan-based futures exchange, gave further details of its plans for new contracts. It said it hoped to have an east coast electricity futures contract trading by July.

Nymex added that its pending coal contract would be the first coal future to be traded on any big exchange.

Vietnam coffee crop hit by drought

By Jeremy Grant in Hanoi

Traders in Vietnam's main coffee-growing province of Daklak said yesterday a prolonged drought was starting to affect prospects for the current crop, but it was too early to give an accurate assessment of damage.

"The rainfall is down about 25 per cent on the average for this time of year. At the moment it's definitely drying but I haven't seen any trees dying," said one foreign trader.

Coffee markets have been unsettled by reports that up to 19,000 ha of the crop are affected, with fears of further damage if the dry period extends into April.

An official at Vinacafe, a state-owned coffee trading company, said dry conditions were of particular concern because many areas in the province lacked sufficient water catchment facilities. However, he added that there was no official estimate of the area affected by drought.

Vietnam has been the focus of trade in east Asia for months since the El Niño weather pattern caused drought in Indonesia and a cutback in production there. The communist-run country is set to overtake Indonesia as Asia's biggest producer of robusta coffee, analysts say.

The foreign trader said he had revised downwards his estimates of how much Vietnam was likely to export this year because of reduced yields. He said 300,000 to 320,000 tonnes was more likely than previous official estimates of 380,000 tonnes.

Yields have come down due to a shorter than expected April to May rainy season last year, which has curbed moisture levels.

Vietnam produced negligible amounts of coffee a decade ago but is now among the world's top five exporters.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1430-31	1457-8
Previous	1437.5-38.5	1463-64
High/low		1463/1451
AM Official	1431-31.5	1458-58.5
Kerb close		1463-4
Open int.	249,396	
Total daily turnover	71,895	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1290-95	1318-8
Previous	1293-96	1320-25
High/low		1320/1311
AM Official	1293-94	1318-20
Kerb close		1318-20
Open int.	5,178	
Total daily turnover	874	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	580.5-1.5	555.5-7.5
Previous	546-47	549-50
High/low		584/556
AM Official	585-6	561-2
Kerb close		556-7
Open int.	32,904	
Total daily turnover	11,[illegible]	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5370-80	5460-65
Previous	5365-75	5460-65
High/low		5500/5430
AM Official	5370-75	5460-65
Kerb close		5500-10
Open int.	52,437	
Total daily turnover	20,058	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5435-45	5430-35
Previous	5460-70	5440-45
High/low		5460/5415
AM Official	5440-50	5430-40
Kerb close		5450-60
Open int.	16,275	
Total daily turnover	3,704	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1040.5-1.5	1066-7
Previous	1039-40	1065-66
High/low		1070/1052
AM Official	1042.5-43.5	1068-69
Kerb close		1069-70
Open int.	75,403	
Total daily turnover	28,545	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1735.5-6.5	1763-4
Previous	1751-52	1778-80
High/low		1785/1748
AM Official	1742-42.5	1767.5-68.5
Kerb close		1762-4
Open int.	161,699	
Total daily turnover	64,875	

■ LME AM Official £/$ rate: 1.[illegible]

LME Closing £/$ rate: 1.5875

Spot: 1.5877 3 mths: 1.5855 6 mths: 1.5835 9 mths: 1.[illegible]

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	79.35	-0.60	80.20	78.50	507	1,508
Apr	79.65	-0.65	80.50	78.80	206	2,911
May	80.15	-0.70	81.10	78.80	5,217	27,435
Jun	80.40	-0.70	80.30	79.70	17	2,202
Jul	80.75	-0.65	81.50	79.80	888	9,840
Aug	80.95	-0.65	-	-	1	1,551
Total					7,196	68,273

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	291.30-291.80		
Opening	291.50-291.90		
Morning fix	291.30	174.640	434.183
Afternoon fix	291.60	174.886	434.481
Day's High	293.20-293.60		
Day's Low	289.60-290.60		
Previous close	290.20-290.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.70	6 months	3.71
2 months	3.70	12 months	3.71
3 months	3.71		

Silver Fix	p/troy oz.	US cts equiv.
Spot	350.55	584.50
3 months	348.95	579.25
6 months	350.05	578.55
1 year	363.60	578.85

Gold Coins	$ price	£ equiv.
Krugerrand	292-294	175-176
Maple Leaf	-	-
New Sovereign	68-72	40-43

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	291.6	+0.5	295.6	295.6	-	-
Apr	292.1	+0.5	293.8	290.8	52,004	89,095
Jun	293.8	+0.4	295.2	293.0	33,794	37,935
Aug	295.6	+0.4	296.4	296.3	242	7,142
Oct	297.6	+0.4	298.0	297.7	86	3,981
Dec	299.8	+0.4	300.6	299.4	1,222	15,258
Total					87,484	204,818

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	408.4	+0.4	417.0	409.0	5,142	11,570
Jul	405.7	+0.2	410.0	405.0	806	3,124
Oct	403.5	+0.2	405.0	405.0	36	435
Jan	401.0	+0.2	402.5	402.5	1	69
Total					5,986	15,216

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	267.60	+1.50	274.00	274.00	-	282
Jun	267.60	-0.50	264.70	267.00	1,232	4,563
Sep	261.60	-	-	-	12	507
Total					1,287	5,328

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	585.0	-3.1	598.0	582.0	92	213
May	589.0	-3.8	599.0	557.0	11,819	47,006
Jul	588.2	-4.2	596.0	554.0	1,434	15,534
Sep	588.0	-4.2	581.0	560.0	12	5,110
Dec	588.2	-4.2	589.0	553.0	320	10,530
Jan	589.1	-4.2	580.0	580.0	-	14
Total					13,797	88,069

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels; $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	14.38	+0.04	14.66	14.15	49,756	35,739
May	14.67	+0.06	14.99	14.41	96,602	121.1k
Jun	14.89	-0.01	15.40	14.80	23,725	74,892
Jul	15.38	+0.01	15.65	15.20	9,660	37,669
Aug	15.74	+0.05	15.93	15.55	4,885	30,297
Sep	16.05	+0.07	16.20	15.78	2,542	23,315
Total					200,297	498,297

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	13.29	+0.18	13.50	13.13	27,146	80,414
Jun	13.67	+0.12	13.87	13.50	9,026	35,189
Jul	14.03	+0.10	14.24	13.92	2,020	17,565
Aug	14.39	-	14.58	14.22	1,845	11,280
Sep	14.65	+0.06	14.83	14.55	1,104	12,788
Oct	14.83	-	14.83	14.83	16	9,093
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	40.95	-0.10	41.70	40.55	20,006	39,072
May	41.40	-0.17	42.15	41.20	10,216	36,752
Jun	42.10	-0.17	42.80	41.75	3,331	21,791
Jul	43.15	-0.07	43.75	42.90	1,393	17,170
Aug	44.40	+0.08	44.90	44.15	1,993	11,865
Sep	45.50	+0.08	46.00	45.40	1,059	10,808
Total					42,045	188,294

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	124.75	+3.50	125.50	123.25	7,455	34,309
May	126.75	+3.50	128.00	125.75	4,163	18,[illegible]
Jun	129.75	+3.25	130.50	128.25	1,086	15,465
Jul	133.75	+3.75	134.00	132.00	671	8,441
Aug	136.50	+3.50	137.75	135.25	1,053	7,647
Sep	139.75	+3.50	140.25	139.00	345	5,487
Total					150,080	140,107

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	8.920	+0.030	8.920	8.800	100	2,695
May	8.860	-0.020	-	-	-	2,000
Total					156	18,450

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	2.280	+0.041	2.272	2.215	42,599	33,779
May	2.290	+0.032	2.285	2.180	13,127	25,828
Jun	2.310	+0.033	2.315	2.270	3,905	15,267
Jul	2.315	+0.030	2.315	2.285	3,037	12,904
Aug	2.340	+0.028	2.340	2.285	1,866	13,746
Sep	2.330	+0.015	2.330	2.300	1,193	9,593
Total					88,912	284,489

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Apr	48.75	+0.10	49.45	48.15	24,044	28,498
May	49.43	+0.10	50.20	48.80	14,861	33,403
Jun	49.80	-0.10	50.80	49.50	4,844	16,868
Jul	50.20	-0.10	50.90	50.00	3,225	12,854
Aug	50.50	-0.05	51.10	50.30	2,339	6,701
Sep	50.55	-	50.75	50.55	1,181	7,766
Total					50,790	110,586

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.00	-0.15	-	-	-	50
May	76.50	-0.50	75.75	75.50	118	2,885
Jul	77.50	-0.50	77.75	77.50	86	1,277
Sep	76.25	-0.50	76.50	76.50	20	106
Nov	78.25	-0.50	78.50	78.25	35	2,525
Total					286	7,380

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	324.00	-3.00	324.50	322.50	110	144
May	331.25	-3.75	335.00	330.50	9,527	42,298
Jul	340.50	-4.00	344.50	340.00	6,516	38,358
Sep	349.00	-3.00	354.25	348.50	406	5,566
Dec	360.50	-3.50	364.50	360.00	817	11,501
Mar	367.50	-3.50	377.50	376.50	12	892
Total					16,390	98,897

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	262.50	-3.25	265.25	262.25	2,086	1,294
May	269.25	-3.00	272.25	269.00	27,556	129,022
Jul	275.25	-3.25	278.75	275.00	10,586	107,465
Sep	277.50	-3.25	280.25	277.50	11,574	22,701
Dec	279.00	-3.00	282.00	278.75	719,7.4	87,470
Mar	285.50	-2.50	286.75	285.00	1,025	6,285
Total					48,668	368,762

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	73.50	-0.25	-	-	-	-
May	75.00	-0.25	75.00	75.00	10	254
Sep	74.00	-0.40	-	-	-	12
Nov	76.00	-0.40	76.00	76.00	20	471
Jan	78.00	-0.40	-	-	-	72
Total					30	809

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	648.00	-3.00	650.00	647.50	664	571
May	652.00	-4.25	656.00	650.50	36,532	68,547
Jul	654.50	-3.00	659.50	654.00	9,658	43,787
Aug	654.25	-4.25	657.00	654.00	1,902	8,391
Sep	642.50	-4.50	644.50	644.00	106	1,500
Nov	637.00	-3.50	639.50	636.00	4,116	29,068
Total					53,043	153,682

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	27.50	-0.10	27.60	27.35	408	423
May	27.60	-0.04	27.82	27.42	28,384	70,790
Jul	27.81	-0.04	28.02	27.60	13,746	48,423
Aug	27.65	-0.05	27.92	27.50	3,312	7,677
Sep	27.38	-0.04	27.60	27.30	756	5,245
Oct	27.05	-	27.15	26.80	335	3,813
Total					50,218	148,819

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	164.8	-4.2	169.0	164.5	1,848	1,011
May	168.8	-1.9	171.0	167.8	12,404	58,359
Jul	171.4	-1.5	173.0	170.4	5,509	33,703
Aug	172.9	-1.8	174.3	172.1	1,480	11,950
Sep	174.1	-1.7	175.5	173.5	816	9,879
Oct	174.8	-1.7	175.8	174.3	538	3,724
Total					23,248	131,315

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	70.0	+10.0	71.0	62.0	73	586
May	77.0	+10.0	75.0	69.0	10	321
Jun	84.0	+10.0	-	-	-	-
Nov	58.0	-	-	-	-	-
Mar	68.0	-	-	-	-	-
Total					83	1,162

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1020	-10	-	-	-	335
Apr	1030	-18	1045	1025	82	734
Jul	970	-	-	-	-	259
Oct	1095	-	-	-	-	131
Jan	1155	-	-	-	-	5
Total					84	1,587

	Close	Prev
BFI	1046	1057

PULP AND PAPER

■ PULPEX OMLX (US$; 50 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	525.00	+4.25	525.00	525.00	10	495
Jun	547.00	-0.75	547.00	547.00	10	81
Total					21	591

FUTURES DATA

All futures data supplied by CMS.

Wool from Mallett & Co

Offerings of Australian wool were unusually low this week, with a Geelong sale cancelled and only Sydney operating. Prices moved as much as last week, with middle merinos dearer but other categories only spasmodically tending that way. The eastern market indicator edged up 2 cents each day, closing at 654 cents a kg, up 6 cents in the week. The New Zealand market, with second shear wools offered in the North Island, was quoted down after its recent rise, the indicator being 12 cents lower at 430 cents a kg. There remains anxiety about demand in Asia.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1081	+7	-	-	-	675
May	1073	+7	1074	1062	2,088	30,580
Jul	1086	+6	1087	1075	852	19,884
Sep	1100	+6	1102	1088	284	26,555
Dec	1100	-13	1120	1108	1,380	29,538
Mar	1141	+7	1140	1129	816	37,091
Total					6,130	162,384

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
May	1636	+23	1644	1600	3,630	25,423
Jul	1657	+21	1664	1632	1,240	14,745
Sep	1681	+21	1680	1657	62	7,056
Dec	1712	+21	1715	1688	256	13,571
Mar	1741	+21	1735	1720	303	9,020
May	1763	+21	1753	1753	-	3,917
Total					5,784	78,382

■ COCOA (ICCO) (SDR's/tonne)

Mar 18	Price	Prev. day
Daily	1285.37	1287.68

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1730	+20	1730	1700	75	227
May	1735	-4	1745	1715	3,418	18,795
Jul	1707	-	1715	1690	687	10,397
Sep	1684	+4	1688	1661	91	2,884
Nov	1667	+2	1662	1652	5	1,240
Jan	1635	-5	1630	1630	5	103
Total					4,279	38,723

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	149.10	-0.65	150.00	148.50	48	68
May	142.25	-3.60	146.50	142.00	4,708	15,228
Jul	138.45	-2.50	141.25	138.25	1,280	5,658
Sep	133.30	-1.85	135.50	133.10	718	4,369
Dec	127.50	-1.60	129.50	127.50	574	3,548
Mar	124.60	-1.25	126.75	126.00	153	893
Total					7,581	30,342

■ COFFEE (ICO) (US cents/pound)

Mar 18	Price	Prev. day
Comp. daily	119.62	120.44
15 day average	120.98	121.75

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	272.8	+1.9	273.5	270.5	1,742	16,994
Aug	274.8	+2.0	275.6	273.0	1,703	9,872
Oct	277.3	+1.6	278.6	275.6	1,008	6,453
Dec	279.3	+1.4	279.9	279.1	12	786
Mar	282.7	+1.2	284.0	281.4	74	1,017
May	285.3	+1.3	286.0	286.0	-	[illegible]
Total					4,315	36,618

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	9.85	+0.07	9.95	9.82	11,454	80,730
Jul	9.68	+0.01	9.78	9.68	3,834	37,010
Oct	9.93	-	10.00	9.92	1,678	42,484
Mar	10.16	-0.08	10.26	10.23	1,089	16,572
May	10.19	-0.08	10.30	10.30	79	2,214
Jul	10.24	-0.08	10.30	10.30	50	3,354
Total					18,274	184,398

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	69.33	-0.84	70.05	69.30	4,436	31,649
Jul	70.55	-0.91	71.25	70.55	1,081	16,721
Oct	73.15	-0.35	73.25	72.80	63	2,779
Dec	73.96	-0.52	74.30	73.78	1,636	25,592
Mar	74.85	-0.45	75.00	74.80	71	1,888
Total					7,342	80,981

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
May	108.05	-0.55	109.25	107.60	10	21,883
Jul	110.75	-0.60	111.90	110.50	580	7,166
Sep	113.55	-0.50	114.75	113.40	43	3,387
Nov	115.15	-0.70	116.00	115.00	115	3,152
Jan	116.15	-0.70	116.30	116.00	15	1,300
Mar	118.15	-0.70	118.05	117.80	-	750
Total					2,748	38,217

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 18	Mar 17	month ago	year ago
1681.7	1685.5	1723.8	1972.4

■ CRB Futures (Base: 1967 = 100)

Mar 17	Mar 16	month ago	year ago
226.25	223.72	-	-

■ GSCI Spot (Base: 1970 = 100)

Mar 16	Mar 16	month ago	year ago
158.08	158.08	167.85	192.50

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+125	to	563,125
Aluminium alloy	+1,820	to	46,220
Copper	-700	to	354,825
Lead	-700	to	102,275
Nickel	-240	to	64,650
Zinc	-1,025	to	471,975
Tin	+185	to	8,785

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	64.925	-0.650	65.660	64.650	7,528	44,105
Jun	65.625	-0.660	67.275	65.525	3,843	33,392
Aug	68.030	-0.425	68.400	67.880	1,085	12,541
Oct	69.050	-0.225	69.250	68.750	406	8,463
Dec	69.875	-0.275	70.250	69.650	180	2,295
Feb	71.150	-0.350	71.500	71.150	18	556
Total					13,081	101,468

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Apr	50.550	-0.125	51.250	50.325	6,167	14,053
Jun	57.625	-0.550	58.475	57.400	3,406	12,179
Jul	57.200	-0.625	58.125	57.100	851	4,227
Aug	54.300	-0.825	55.450	54.200	788	3,089
Oct	52.000	-0.250	52.550	51.400	592	3,055
Dec	51.975	+0.075	52.500	51.950	827	2,343
Total					12,647	39,438

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Mar	44.500	-1.475	46.500	44.000	49	78
May	44.350	-1.075	46.125	44.250	2,457	5,933
Jul	43.125	-1.000	45.300	43.000	482	2,177
Aug	41.825	-1.025	44.000	43.000	175	1,005
Sep	44.800	-0.500	45.200	44.900	9	16
Total					3,172	9,239

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1425	53	88	22	35
1450	39	73	33	46
1475	27	60	47	56
■ COPPER (Grade A) LME	May	Aug	May	Aug
1700	96	128	35	58
1750	67	99	56	80
1800	45	77	83	106
■ COFFEE LIFFE	Mar	May	Mar	May
1600	143	148	8	42
1650	102	117	17	60
1700	67	91	32	84
■ COCOA LIFFE	May	Jul	May	Jul
1050	39	63	18	247
1075	25	48	27	38
1100	16	35	43	50
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1350	46	-	70	82
1400	33	72	100	110
1450	22	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL, FOB (per barrel)

		+or-
Dubai	$11.21-1.30x	+0.39
Brent Blend (dated)	$12.63-2.67	+0.36
Brent Blend (May)	$13.49-3.51	+0.39
W.T.I.	$14.84-4.86x	+0.45

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$148-150	+10
Gas Oil	$124-125	+4
Heavy Fuel Oil	$59-61	
Naphtha	$135-137	+7
Jet fuel	$133-135	+4
Diesel	$127-129	+4

■ NATURAL GAS (Pence/therm)

Bacton (Apr)	8.90-9.00	

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

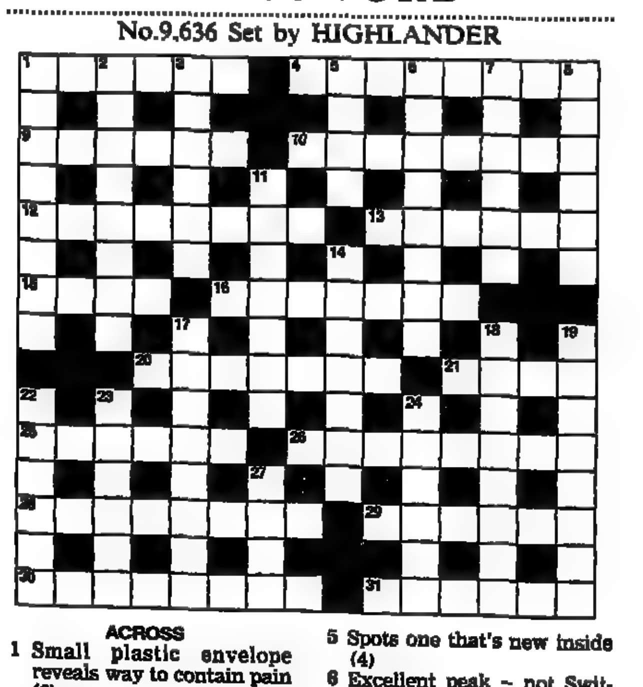
Gold (per troy oz)‡	$291.55	+1.00
Silver (per troy oz)‡	584.50c	-22.75
Platinum (per troy oz.)	$411.00	+13.0
Palladium (per troy oz.)	$270.00	+4.00
Copper	83.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.91r	
Tin (New York)	264.5	+4.00
Cattle (live weight)	88.94p	+0.66*
Sheep (live weight)	100.47p	+12.70*
Pigs (live weight)†	78.85p	+2.18*
Lon. day sugar (raw)	$243.00	+6.20
Lon. day sugar (wte)	$274.20	+3.90
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£102.0	
Wheat (US Dark North)	Unq	
Rubber (Apr)¶	47.50p	
Rubber (May)¶	47.50p	
Rubber (KL RSS No1)	280.00m	+3.00
Coconut Oil (Phil)§	605.0y	
Palm Oil (Malay.)§	640.0	
Copra (Phil)§	$383.0y	5
Soyabeans (US)	175.0	
Cotton Outlook'A' index	68.90	-0.15
Wooltops (64s Super)	380p	+2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Mar/Apr. x Apr. § CIF Rotterdam. ‡ Bullion market close. * Change on week. † Based on 1,142 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,636 Set by HIGHLANDER



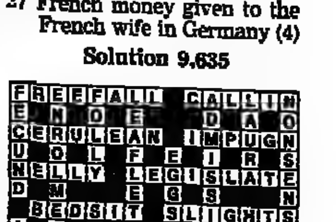
ACROSS

1 Small plastic envelope reveals way to contain pain (6)
4 Anything eaten during Lent? Hamburgers perhaps (4,4)
9 Teacher working with explosive – an academic without compromise (4,2)
10 Breaks stolen photograph (8)
12 Works both ways with building plot on other side (8)
13 Sausage stolen by Rover? (3,3)
15 Make listener start to nod (4)
16 Selection includes cold confectionery item popular in summer (4-3)
20 One way of preserving 19th century Tory leader (7)
21 Occasion to celebrate return of a prisoner (4)
25 Also involves dull fruit (6)
26 Vicious cobra met hysterical tourist holding stone (8)
28 Books of synonyms thus are anagrammatic, one must conclude (8)
29 Gear from drilling installation not allowed (6)
30 Investigate at which point some shoppers cough up (5,3)
31 Models vary occasionally (6)

DOWN

1 Might be seen leaving port and sherry container (8)
2 Holds up first cold drink (8)
3 Conceited one, English, has to travel first (6)
5 Spots one that's new inside (4)
6 Excellent peak – not Switzerland (8)
7 Old times before cloak could come from leather (6)
8 OAP's childishness over broken gate is the same (6)
11 Artistic impression created by English article about Chinese capital (7)
14 Saving money somehow, protecting a small business (7)
17 Lent support to aerodynamically shaped vehicle (8)
18 The infant Robin went through it (8)
19 Man Friday appears, in truth with nothing on stomach (8)
22 What's interfering with reception still? (6)
23 Current unit is made up of a Frenchman and his father (6)
24 Walk away with sock (6)
27 French money given to the French wife in Germany (4)

Solution 9,635



Vietnam coffee crop hit by drought

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)
4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Aberdeen Atlas Funds

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Global Cap Portfolio		$4 131		—	-
United States Portfolio		$8 185		—	-
Europe Portfolio	0	DM10 042		—	-
Japan Portfolio		¥0.499		—	-
Far East Emg Econ Portfolio		$4 552		—	-
Gold Portfolio		[illegible]		—	-
UK Growth & Income Portfolio		£7 932		—	3 61
Stirling Inflation Bd Portfolio		$1 887		—	7 03
Sterling Bd Portfolio		£1.055		—	6.30

American Phoenix Investment Portfolios (u)
13 rue Goethe, L-1637 Luxembourg 00 352 40464621l

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
European Multinational Ptfo		Ecu21 97		+0.11	-
European Multinational Ptfo		£34 67		+0 02	-
European Multinational Ptfo		£10.80		+0.08	-
European Multinational Ptfo		L62988		+349	-
European Multinational Ptfo		DM63 43		+0.33	-
Global Multinational Ptfo		Ecu28.36		+0.05	-
Global Multinational Ptfo		$30 90		-0.03	-
Global Multinational Ptfo		£18 48		+0 04	-
Global Multinational Ptfo		L56578		+246	-
Global Multinational Ptfo		DM68.36		+0.2	-
US Growth Companies		$19.71		+0.22	-
US Growth Companies		£11 83		+0.17	-
US Growth Companies		L35527		+577	-
US Growth Companies		DM36.07		+0.38	-
US Real Estate Securities		$16.16		-0.03	-
US Real Estate Securities		£3 70		+0 01	-
US Real Estate Securities		L29132		+76	-
US Real Estate Securities		DM29 68		+0 05	-

BAII Asset Management Ltd
10 Piccadilly, London W1V 0EE 0171 734 3000

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Winchester NAV Feb 13 F		$573.22		-5 91	-

Bank Von Ernst & Cie AG
Marktgasse 63/65 3001 Berne, Switzerland 0041 31 3291111

Fleming Group - Contd.

Fleming Flagship Series II (Daily Dealing)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
DM Class F		DM12 775		—	3.57
FFr Class F		FFr66 05		+0 01	3 71
ITL Class F		L23459		+3 00	5 56
£ Class F		£5.555		—	7 20
US$ Class F		$12 663		—	5.49

Foreign & Colonial Emerging Markets Ltd (u)

F&C Emerging Markets

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Argentinian Inv Co F		$76.18		+0.11	-
Brazilian Inv Co SICAV F		$47 08		-0 68	-
Latin Amer Inv Co SICAV F		$17 40		-0 01	-
Mexican Inv Co SICAV F		$28 92		+0 37	-

Foreign & Colonial Portfolios Fd Sicav(u)
47 Boulevard Royal, L-2449 Lux 00 352 46 40101

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Am Smlr Cos Eq F		$50 70		+0 10	-
Emerging Asian Eq F		$16.24		+0.26	-
Sterling Beta F		£10 08		-0 02	-
Sterling Distribution F 5		£9 72		+0 02	-

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Isle of Man) Ltd

Apax Bank & Trust Company

Credit Suisse Asset Mgmt Funds

Gaia Currency Funds

India Investment AG

MPFC Overseas Limited

Oribilex Management Ltd

Scudder, Stevens & Clark Inc

Global Asset Management - Contd.

Jupiter Asset Management (Asia) Ltd

OTHER OFFSHORE FUNDS

AXA Asset Management

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Volume '000s	Yld Gr's	P/E
Allied Domecq	♣‡N	569	-24½	608	407½	772	4.4	14.3
Bulmer (HP)	♣†	332½	—	621½	285	2	5.6	10.3
Burn Stewart	♣	29½	—	70½	28	171	14.4	10.3
Diageo	♣N	695	+11	709	432	7,501	2.8	29.8
Glenmorangie A	†	820	—	1040	775	—	1.0	19.6
B	†	932½	—	1149	912½	—	0.9	44.6
Highland	♣	288	+½	359	259	58	4.2	12.3
5¼pc Cv Sb Bd		90	—	99½	85½	—	6.0	—
Kirin Y	§	618	-5	654½	418	—	1.1	—
Matthew Clark	♣♦‡	208	+2½	335	157	101	12.1	6.7
Merrydown	♣	48½	—	108½	45	—	8.0	—
Seagram C$		£22	+¼	£25	£18	—	1.2	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Continued

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

HOUSEHOLD GOODS & TEXT - Continued

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1495 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Please quote the code FT8410. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the Internet at http://www.icbinc.com. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-16 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4578.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the Internet at http://www.FT.com.

Footsie launches challenge to the 6,000 mark

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Only a day after racing through the 5,900 level, the FTSE 100 launched a determined attack on 6,000, building up to a frenzied last five minutes of trading yesterday.

During that time, Footsie spiralled up to within only 2.1 of the magical 6,000, finishing the session a net 94.3, or 1.6 per cent, up at a record 5,997.9.

And there were no takers in the stock market yesterday willing to bet against the index reaching its next target in the short term. This morning brings "double witching", the expiry of the FTSE 100 future and FTSE 100 options, with dealers bracing themselves for a flurry of intense derivatives-led activity.

The surge in the leading stocks was almost matched by second-line issues and smaller stocks, with the full set of FTSE indices, the 100, 250, SmallCap and All-Share hitting all-time intra-day and closing levels.

"It was full steam ahead for the market and there is lots of talk of marketmakers being caught with short positions. Their pain, in the form of rapidly rising share prices, is there for all to see," said one agency dealer.

He said much of yesterday's stunning performance represented marketmakers trying to fill their short positions.

There was also evidence, he said, that institutional cash was still coming in, as those funds that persisted with less than full market weightings over the past few years continued to top up their holdings. And dealers expect a surge of "Pep" money to come into the market before the end of the current tax year.

Apart from the post-Budget euphoria there was also a fresh burst of takeover speculation, much of it concentrated on the telecoms arena where BT shares raced higher amid talk of an imminent and sizeable acquisition.

The market's remarkable run since the start of the year has seen the FTSE 100 advance 16.8 per cent, the 250 14.2 per cent, the SmallCap 12 per cent and the All-Share 16 per cent.

Predictions by some economists of a further increase in UK interest rates failed to induce any caution.

The FTSE 250 hit its eighth consecutive closing and intra-day highs, finishing 41.5 up at 5,466.4 after a peak of 5,467.2.

A rise of 14.8 to a closing and intra-day high of 2,590.4 in the FTSE SmallCap, was the 16th set of peaks achieved by the index in the past 17 sessions.

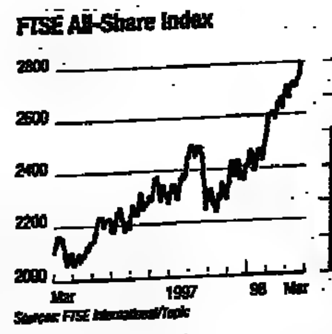
Economic news announced yesterday, on bank lending and M4 money supply, did no harm to sentiment, nor did sterling's recent strength. However, the Bank of England's trade-weighted index slipped 0.3 to 107.2.

A series of excellent profits performances that helped keep intact the market's optimistic mood. Results from Courtaulds Textiles, Kwik Fit and Bovis were all well received.

And the news from overseas was another plus for London. Wall Street followed up Wednesday evening's move to yet another record close with a reasonable opening yesterday, following a batch of unthreatening economic data.

Volume was 848m shares at the 6pm count.

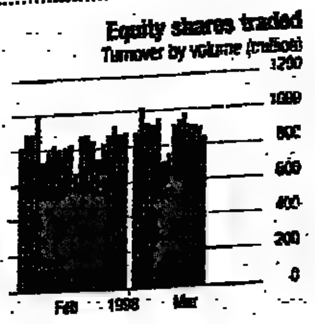
FTSE All-Share Index



Source: FTSE International/Topic

Equity shares traded

Turnover by volume (million)



Indices and ratios

FTSE 100	5997.9	+94.3	FT 30	3796.7	+33.5
FTSE 250	5466.4	+41.5	FTSE Non-Fins p/e	22.32	22.07
FTSE 350	2872.3	+40.9	FTSE 100 Fut Mar	5972.0	+83.0
FTSE All-Share	2797.33	+38.34	10 yr Gilt yield	6.05	6.00
FTSE All-Share yield	2.77	2.81	Long gilt/equity yld ratio	2.18	2.13

Best performing sectors

1. Telecommunications +5.5
2. Oil Integrated +4.1
3. Life Assurance +4.0
4. Resources +3.5
5. Electronic & Elect Equip +2.7

Worst performing sectors

1. Paper: Pckg & Printing −1.3
2. Tobacco −0.5
3. Engineering: Vehicles −0.5
4. Gas Distribution −0.4
5. Diversified Inds −0.3

Late bid hints lift BT

COMPANIES REPORT

By Peter John, Martin Brice and Steve Thompson

Speculation that BT is back on the US merger trail sent the share streaking higher on heavy volume yesterday. The rise acted as a catalyst for the whole sector.

The speculation sprang from comments made in New York by Robert Brace, BT's finance director, who said: "It is no secret we are talking to many companies and that includes many companies in the US."

There was nothing particularly new in the comments, but they caught the popular imagination on both sides of the Atlantic. The shares gained 47½ to 685p, the best performance in the FTSE 100, on hefty turnover of 17m, high volume even for one of the most liquid stocks in the market.

It was felt that BT might be holding talks with either Bell Atlantic or AT&T. And while analysts were cautious, they were not totally dismissive. Jim Ross of ABN Amro said: "The thing about corporate activity is that you can never say never and BT is definitely looking for a partner."

The company also signed a memorandum of understanding with China Telecom. And sentiment was helped further by NatWest Markets reiterating its "buy" stance.

The broker pointed out that, although BT had outperformed the Footsie by 16 per cent so far this year, it had kept pace with some of its European counterparts. NatWest has upped its target price for BT to 700p.

Elsewhere in the sector, **Vodafone** rose 35½ to 617½p in 9.2m traded, while **Orange** gained 17 to 428p.

Manchester United suffered their third blow in three weeks in Wednesday's exit from the European Champions' Cup and the club's shares dipped 3 to 143p.

The exit from Europe follows the recent FA Cup defeat by Barnsley and last Saturday's home defeat by Arsenal. That loss means that Arsenal are now in a position to snatch the Premiership from the northern club, long-time favourites to take the league title.

Takeover speculation centred on **Racal** as the stock rose 23 to 326½p with 3.6m shares traded. The rumours suggested a move by **British Aerospace**, unchanged at £19.48, or **GEC**, up 13 to 460p, for the company.

Brian Newman at Henderson Crosthwaite said: "Disposing of its lossmaking data products side will remove the poison pill at Racal, and expose the attractive telecoms and defence activities."

Even after yesterday's upwards move Racal stood at a discount to a sum-of-the-parts valuation produced by Henderson. The broker values the company at 400p a share on a break-up basis.

Oil stocks rebounded sharply yesterday as the underlying oil price shot higher on hopes that Venezuela might help to stabilise international oil markets.

The price of Brent crude recovered from 9½-year lows set earlier in the week after Luis Giusti, president of Venezuela's state oil company, said he was seeking an agreement with Opec and non-Opec producers to cut output and boost prices.

BP jumped 46½ to 869p and **Shell Transport** 11 to 427½p. Among the exploration and production stocks, **Enterprise Oil** was also higher, up 23½ at 544½p, as was Lasmo, up 4 at 271p.

Some traders also raised speculation in the market of consolidation in the oil exploration and production sector with companies under pressure from low crude oil prices.

Hardy Oil & Gas gained 8 to 268½p after it reported net income of £5.87m for the nine months to December 31, compared with £5.71m in the year-ago period.

Borneo weak

However, British Borneo was relatively weak with a rise of only 1½ to 340½p after it reported flat profits of £14m in 1997. The company said, however, it was well positioned to deal successfully with a sustained period of low oil prices.

Recent overenthusiasm for front-line financials is now spilling on to the smaller stocks in the sector.

Yesterday, St James Place, the life insurance group and Cattles, the financial services group, announced figures that were better than expectations but not dramatically so. Nevertheless, St James rose 51½ to 283½p, a jump of more than 22 per cent and the best performance in the FTSE 250, and Cattles rose 43½ to 584½p.

Meanwhile, the potential for disappointment in the big banks was highlighted by a change of view from CSFB. The broker, which bought the BZW arm of Barclays, downgraded its old parent from "buy" to "hold".

The broker considers the sector overexcited amid hopes of further consolidation and says Barclays has already reached its published target price of £19 and is due for correction. Barclays slipped 10 to £18.65.

Northern Rock added 3 at 641½p, the shares helped by a reiterated "outperform" recommendation from Salomon Smith Barney. The broker has raised its share price target from 640p to 675p.

Salomon also likes National Westminster and has raised its share price target from £10.50 to £11.75. The shares lifted 13 at £11.41.

Courtaulds Textiles headed back towards its 52-week high on the back of well received figures and a confident statement. The shares lifted 17 to 363p.

Kwik Fit achieved one of the best performances in the FTSE 350, with a gain of 79 to 511p or 18 per cent. The car tyres and repair company exceeded forecasts by about 10 per cent with its £55m pre-tax result, prompting a series of upgrades.

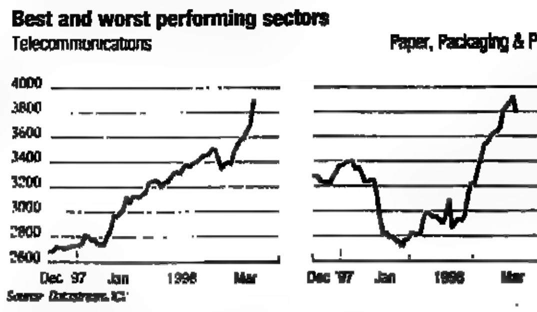
Travis Perkins confirmed strength in the UK housing market and the shares rose 9 to 609p after the building materials company unveiled a 20 per cent rise in underlying profits.

Kingfisher was again one of Footsie's best performers following strong results and the announcement of plans for a share split. The shares gained 44 to £11.40 as a series of upgrades worked their way into the market and investors bought.

There was also buying interest in other retailers, with 4.4m shares traded in Marks and Spencer, which rose 4½ to 581½p.

Moorepay ran into profit-taking after the Aim-traded payroll company unveiled results ahead just 4 per cent. The shares, which have rushed up from 270p in December, lost 15 to 365p. News it had a contract to supply services to Barclays Bank was said to be already in the price.

Best and worst performing sectors



Source: Datastream/ICV

FT 30 INDEX

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 13	Yr ago	*High	*Low
FT 30	3796.7	3763.2	3711.6	3690.6	3652.4	2833.4	3796.7	3760.2
Ord. div. yield	2.90	2.92	2.96	3.00	3.01	3.99	4.22	2.90
P/E ratio net	24.48	24.30	23.98	23.63	23.53	17.43	24.48	15.00
P/E ratio nil	24.26	24.08	23.75	23.42	23.33	17.22	24.26	15.71

FT 30 since compilation: high 3796.7 19/03/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3763.2	3703.9	3766.0	3778.3	3783.1	3781.3	3785.6	3797.8	3790.6	3805.7	3760.2

© FTSE International Limited 1998. All rights reserved. *For 1997/98.

STOCK MARKET TRADING DATA

	Mar 19	Mar 18	Mar 17	Mar 16	Mar 13	Yr ago
SEAQ bargains	72,633	71,770	91,898	92,904	84,753	82,270
Equity turnover (£m)†	-	na	3460.3	[illegible]	4265.9	2504.6
Equity bargains†	-	na	83,721	83,708	75,108	51,782
Shares traded (m)†	-	na	841.4	927.7	1024.0	944.2
Total market bargains‡	-	na	97,080	94,678	85,767	na
Total turnover (£m)‡	-	na	4674.5	4811.8	5223.5	na
Total shrs traded (m)‡	*848.0	*898.1	‡1217.4	‡1226.8	‡1336.8	na
Tradepoint turnover (£m)	24.6	28.7	24.2	20.7	31.8	2.4
Tradepoint shrs traded	8,653	9,331	5,863	6,248	8,066	407

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,128	Total Highs	802	Total contracts	53,937
Total Falls	523	Total Lows	48	Calls	41,631
Same	1,349			Puts	12,306

Mar 19 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5912.0	5974.0	+83.0	5980.0	5901.0	14663	22591
Jun	5981.0	6058.0	+94.0	6071.0	5981.0	37676	122980
Sep	6095.0	6124.0	+88.0	6095.0	6095.0	25	2590

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5458.0	5466.0	+41.0	5458.0	5458.0	102	349
Jun	5500.0	5511.0	+41.0	5507.0	5500.0	622	6182

■ FTSE 100 INDEX OPTION (LIFFE) (*5974) £10 per full index point

	5800 C	5800 P	5850 C	5850 P	5900 C	5900 P	5950 C	5950 P	6000 C	6000 P	6050 C	6050 P	6100 C	6100 P	6150 C	6150 P
Mar	181½	1	131½	1½	81½	4½	37	14	9½	37	2	81	1	131	1	181
Apr	264½	57½	227	71	191	85½	159	104½	128	124	103	149½	82½	180	61½	212
May	337	94	280	107½	248	126	218½	147	189	169	160	192½	136½	222½	116½	253
Jun	388	134½	358½	150½	323	170	293	189½	263½	209½	233½	231½	205½	255½	185½	277½
Dec†	644½	251			604	289			522½	332			481½	381		

Calls 13,783 Puts 3,086

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	5775 C	5775 P	5825 C	5825 P	5875 C	5875 P	5925 C	5925 P	5975 C	5975 P	6025 C	6025 P	6075 C	6075 P	6125 C	6125 P
Mar	199	1	149	1	100½	2	55	7½	23	24	6½	57½	1½	102	1	157
Apr	276½	47	236½	57½	203½	71½	171	88½	146½	108	114	131	88	155	66½	185½
May	336	88	302	101½	268	118½	235½	134	208½	153	178	175	152½	196½	128	225
Jun			372	143½			305	174½			245	213			189	258
Sept†			467	209			435	243			376	280½			323½	324½

Calls 20,272 Puts 4,475 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1997/98 High	1997/98 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*100	100	35.0	100	100	Advent 2 VCT	100		–	–	–	–
–	F.P.	38.9	250	220	†BGR	[illegible]		LW2.9	2.9	1.5	25.7
–	F.P.	685.8	107	94	Bass B	97½	+½	–	–	–	–
–	F.P.	–	12	5	Euroot 01/03 Wts	6	–½	–	–	–	–
§200	F.P.	225.5	447½	411½	Guardian IT	442½		–	–	–	77.4
–	F.P.	3.94	3	2½	Hartford Grp	2½		–	–	–	–
§120	F.P.	348.6	202½	189	Morson	195	+½	L4.0	2.2	2.6	22.3
§230	F.P.	188.6	465½	412½	Oxford Asymmetry	457½	[illegible]	–	–	–	73.4
§25	F.P.	1.25	81	77	†Peel Hotels	78½		–	–	–	–
§125	F.P.	18.9	164½	127½	†Pennant Intl	164½		W3.18	2.5	–	22.7
§130	F.P.	69.4	136½	124½	Quadrant Health	131½	+1½	–	–	–	–
*–	F.P.	18.0	90	90	Quester VCT 2	90		12.4	–	3.3	–

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1997/98 High	1997/98 Low	Stock	Closing price p	+or-
100	Nil	6/4	28½pm	25pm	Paragon	28½pm	
3	Nil	3/4	¼pm	¼pm	Pex	¼pm	
235	Nil	8/4	23pm	20pm	Westbury	21pm	

pm premium.

FTSE GOLD MINES INDEX

	Mar 19	% chg on day	Mar 17	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1014.71	–1.8	1033.54	1788.88	3.42	–	1788.83	891.23
■ Regional Indices								
Africa (14)	930.22	–5.3	982.49	2056.87	5.01	17.34	2063.54	921.78
Australasia (7)	1279.15	–1.9	1303.32	2002.61	2.65	17.15	2002.61	933.63
North America (11)	1021.83	–0.6	1027.80	1649.38	1.20	38.19	1649.38	864.86

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Mar 19	Day's chge%	Mar 18	Mar 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5997.9	+1.6	5903.6	5834.9	4258.1	2.72	2.31	2.09	22.18	80.13	2606.85
FTSE 250	5466.4	+0.8	5424.9	5403.1	4565.2	3.00	2.52	2.08	20.05	18.19	2322.97
FTSE 250 ex IT	5503.4	+0.7	5464.8	5441.4	4602.1	3.09	2.60	2.14	18.90	18.71	2347.01
FTSE 350	2872.3	+1.4	2831.4	2802.4	2106.7	2.77	2.35	2.09	21.74	16.65	2649.47
FTSE 350 ex IT	2877.2	+1.5	2836.0	2806.5	–	2.78	2.38	2.09	21.51	16.88	1309.91
FTSE 350 Higher Yield	2848.7	+1.5	2805.3	2780.4	2031.8	3.49	3.02	1.97	18.21	18.53	2154.88
FTSE 350 Lower Yield	2913.3	+1.3	2874.8	2841.8	2186.4	2.06	1.67	2.26	28.93	14.85	2106.18
FTSE SmallCap	2590.39	+0.6	2575.61	2565.27	2321.50	2.85	2.30	1.60	27.47	7.78	2325.10
FTSE SmallCap ex IT	2581.92	+0.6	2568.75	2557.50	2327.62	3.04	2.46	1.67	24.63	7.24	2248.92
FTSE All-Share	2797.33	+1.4	2758.99	2731.86	2079.85	2.77	2.34	2.05	22.03	15.73	2519.63
FTSE All-Share ex IT	2804.89	+1.4	2766.12	2738.26	–	2.80	2.36	2.07	21.65	16.00	1299.76

■ FTSE Actuaries Industry Sectors

	Mar 19	Day's chge%	Mar 18	Mar 17	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(23)	4607.87	+3.5	4451.32	4461.54	4097.48	3.29	2.85	1.63	20.79	88.21	2098.42
12 Extractive Industries(6)	3216.78	+0.2	3210.21	3211.82	4005.00	4.25	3.02	2.08	14.12	87.00	1012.16
15 Oil, Integrated(4)	5104.33	+4.1	4901.16	4902.97	4212.30	3.30	2.63	1.78	21.32	17.89	2387.13
16 Oil Exploration & Prod(13)	3257.96	+2.0	3194.95	3274.64	3648.62	1.76	1.46	1.93	36.71	21.18	2017.22
20 GEN INDUSTRIALS(255)	2230.14	+0.5	2218.09	2195.24	[illegible]	3.35	2.91	2.25	16.59	11.50	1299.40
21 Construction(30)	1637.42	—	1637.18	1629.77	1357.34	2.93	2.38	2.44	17.50	4.25	1447.09
22 Building Matls & Merchs(27)	1887.99	+0.8	1872.60	1871.89	1883.81	4.06	3.34	2.59	11.88	0.61	1012.10
23 Chemicals(24)	2876.69	+0.5	2861.69	2830.54	2302.92	3.26	3.04	1.83	20.92	22.65	1463.30
24 Diversified Industrials(11)	1486.07	–0.3	1490.68	1488.70	1500.65	3.70	3.54	2.22	14.86	10.72	907.06
25 Electronic & Elect Equip(27)	2506.63	+2.7	2440.53	2390.73	2207.73	3.44	2.79	1.50	24.24	13.43	1370.95
26 Engineering(61)	2998.48	+0.5	2983.86	2947.88	2600.75	3.15	2.78	2.39	16.57	20.66	1922.67
27 Engineering, Vehicles(10)	4039.05	–0.5	4059.05	3990.10	2850.22	3.42	1.95	3.05	17.47	0.65	2270.85
28 Paper, Pckg & Printing(24)	2249.57	–1.3	2279.20	2269.30	2509.84	4.86	3.92	2.04	13.50	15.02	1006.21
30 CONSUMER GOODS(96)	5714.88	+0.8	5682.97	5692.52	4106.83	2.46	2.27	1.93	26.42	32.11	2244.60
32 Alcoholic Beverages(6)	3865.48	+0.4	3848.34	3844.60	2922.75	3.01	2.98	1.86	22.40	0.31	1489.27
33 Food Producers(24)	3880.75	+0.3	3868.37	3856.97	2872.85	2.72	2.32	2.09	21.99	19.18	1867.43
34 Household Goods & Texts(24)	3507.67	+1.7	3449.53	3413.62	2983.62	3.11	2.77	2.13	18.90	4.59	1460.89
36 Health Care(14)	2369.79	+1.0	2345.49	2321.69	2146.54	2.06	1.62	1.96	30.89	1.81	1500.88
37 Pharmaceuticals(18)	9601.49	+0.8	9528.83	9609.69	6401.86	1.81	1.69	1.91	36.24	85.22	3430.43
38 Tobacco(3)	5219.12	–0.5	5245.57	5174.46	4130.44	4.60	4.35	1.78	15.27	0.00	1424.46
40 SERVICES(276)	3389.59	+1.8	3328.74	3308.40	2613.04	2.49	2.02	2.00	25.11	10.18	1858.16
41 Distributors(28)	2792.98	+1.8	2743.58	2735.01	2709.20	3.41	2.79	1.99	18.42	18.99	1089.88
42 Leisure & Hotels(27)	3807.25	–0.1	3812.29	3797.16	3456.70	2.64	2.11	2.31	20.52	46.13	2153.32
43 Media(41)	4489.10	+0.7	4458.49	4410.23	4229.54	2.29	1.92	2.17	25.15	21.48	1802.86
44 Retailers, Food(14)	3021.21	+1.6	2973.36	2910.67	1956.58	2.63	2.35	2.29	19.25	3.94	2035.30
45 Retailers, General(49)	2402.43	+0.9	2380.30	2360.67	2032.80	2.99	2.40	2.29	18.25	6.19	1450.58
46 Telecommunications(10)	3896.52	+5.5	3692.76	3646.43	2320.80	2.26	1.83	1.51	36.53	4.04	1894.57
47 Breweries, Pubs & Rest.(24)	4254.34	+1.5	4192.35	4138.60	3293.02	2.77	2.22	2.41	18.72	15.31	2158.57
48 Support Services(61)	4602.61	+0.1	4597.83	4575.19	2896.38	1.29	1.09	2.50	38.80	3.35	3018.34
49 Transport(25)	3457.80	+0.3	3448.41	3383.87	2774.19	2.98	2.44	1.32	34.27	8.82	1528.86
60 UTILITIES(23)	3794.82	+0.5	3777.36	3719.08	2882.75	4.09	3.27	1.89	16.05	6.35	1789.65
62 Electricity(9)	4282.17	+0.5	4262.62	4161.42	2782.04	4.36	3.48	2.18	13.18	7.28	2470.58
64 Gas Distribution(2)	2772.06	–0.4	2782.82	2743.48	1495.55	2.35	1.88	‡	‡	0.00	1587.73
68 Water(12)	3385.38	+1.2	3345.92	3313.38	2421.15	5.04	4.04	2.20	11.24	10.26	2058.19
69 NON-FINANCIALS(636)	2754.23	+1.4	2716.58	2697.90	2147.29	2.84	2.42	1.97	22.32	11.64	2225.92
70 FINANCIALS(110)	5918.78	+1.4	5834.57	5725.30	3709.73	2.69	2.21	2.32	20.02	57.50	2726.77
71 Banks, Retail(12)	8606.27	+1.0	8525.60	8375.23	5342.53	2.73	2.19	2.32	19.70	113.05	3012.60
73 Insurance(17)	2820.10	+1.2	2786.29	2689.53	1632.26	3.01	2.72	2.90	14.34	29.86	2316.64
74 Life Assurance(6)	7712.09	+4.0	7419.94	7225.87	4453.32	2.41	2.08	2.41	21.58	0.00	3396.19
77 Other Financial(27)	4760.47	+1.3	4697.31	4631.90	3160.07	2.29	1.87	2.19	24.91	16.19	2876.80
79 Property(46)	2431.05	+1.5	2395.41	2390.75	1854.39	2.68	2.20	1.42	32.88	4.64	1582.63
80 INVESTMENT TRUSTS(119)	3910.43	+1.0	3872.36	3885.28	3309.83	2.01	1.61	1.17	53.28	11.30	1416.98
89 FTSE All-Share(865)	2797.33	+1.4	2758.99	2731.86	2079.85	2.77	2.34	2.05	22.03	15.73	2519.63
105 FTSE All-Share ex IT(746)	2804.89	+1.4	2766.12	2738.25	–	2.80	2.36	2.07	21.65	16.00	1299.76
Information Technology	1413.46	–1.6	1436.46	1452.17	–	0.61	0.48	3.22	64.05	1.49	1415.14
FTSE Fledgling	1400.09	+0.3	1395.90	1392.74	1300.73	3.14	2.53	1.37	29.02	4.32	1539.87
FTSE Fledgling ex IT	1420.06	+0.2	1417.15	1414.09	1327.10	3.52	2.83	1.41	25.25	5.46	1566.88
FTSE AIM	1048.9	—	1047.0	1046.0	–	1.16	0.92	0.50	80.00†	2.30	965.87

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	–	5917.9	5926.7	5949.6	5949.9	5951.0	5981.4	5984.4	5984.1	5997.9	5909.9
FTSE 250	–	5443.1	5449.5	5449.5	5458.8	5462.4	5462.7	5461.5	5464.2	5467.2	5433.7
FTSE 350	–	2838.7	2842.8	2851.7	2852.7	2853.5	2865.4	2866.5	2866.6	2872.3	2834.7
FTSE SmallCap	2580.15	2582.64	2584.56	2585.78	2587.45	2588.11	2588.25	2588.63	2589.85	2590.39	2580.15
FTSE All-Share	–	2766.19	2770.03	2778.26	2779.31	2780.07	2790.96	2791.84	2792.16	2797.33	2762.39

Time of FTSE 100 Day's high: 16:30:00 Day's low: 8:33:00. FTSE 100 1997 High: 5997.9 (19/03/98) Low: 4056.6 (10/01/97)
Time of FTSE All-Share Day's high: 16:30:00 Day's low: 8:33:00. FTSE All-Share 1997 High: 2797.30 (19/03/98) Low: 1999.70 (02/01/97)

Further information is available on http://www.ftse.com

† Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Annual review changes please see FTSE Intl website ftse.com. For Quarterly Review Changes see website www.ftse.com.

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

	Vol 000's	Closing price	Day's change
3i	395	526	-5
AMVESCAP	1,100	567	+22½
ASDA Group	7,000	205¼	-6
Abbey National	2,100	1202	+21
Alliance & Leicester	716	918½	-12½
Allied Domecq	772	580	-24½
Assoc. Brit. Foods	4,100	568	+1
BAA	1,200	608	+1½
BAT Inds.	8,100	635	-4
BOC	519	1030	-40
BG	14,900	289½	-3½
BP	8,100	869	+46½
BSkyB	2,600	455	+10½
BT	17,300	685	+47½
BTR	16,300	195¼	-4½
Bank of Scotland	2,300	714	+4
Barclays	3,100	1865	-10
Bass	1,300	1127	+28
Billiton	593	187½	-¼
Blue Circle	2,200	378½	+6½
Boots	2,800	935	+3
Brit. Aerospace	1,100	1948	
British Airways	4,000	616	-6½
British Energy	3,000	467	+1
British Land	915	603	+17
British Steel	3,800	146	+3
Cable & Wire	8,700	725	+15
Cadbury Schweppes	2,800	824	-14
Carlton Comms.	839	469½	+18½
Centrica	10,400	112	+¼
Comm. Union	1,300	1192	+38
Compass†	1,700	689	+31
Diageo	7,500	695	+11
Dixons	6,000	491½	-2
EMI	4,000	547½	-3
Energy Group	16,300	840	+½
Enterprise Oil	3,500	544½	+23½
Gen. Accident	1,200	1472	+2
General Elect.	7,000	460	+13
Glaxo Wellcome	4,900	1850	+10
Granada	2,300	996	+9
GUS	1,000	780	-2
GRE	1,300	[illegible]	+6½
GKN	1,500	1630	-8
HSBC (75p shs)	2,200	1863	+30
HSBC (HK$10)	914	1789	+44
Halifax	[illegible]	845	+18
Hays	722	1070	+19
ICI	1,800	1098	-32
Kingfisher	3,500	1140	+44
Ladbroke	4,100	331½	-4½
Land Securities	659	1140	-5½
Legal & General	2,200	737	+18
Lloyds TSB	8,400	882	-5
LASMO	3,800	271	+4
LucasVarity	8,800	239	-3
Marks & Spencer	5,900	581½	+4½
NatWest Bank	3,300	1141	+13
National Grid	5,700	344	
National Power	3,300	593½	+4
Next	827	738	+14
Norwich Union	4,200	429	-1
Nycomed Amer	863	2315	+20
Nycomed Amer NV	23	2200	+8
Orange	3,200	428	+17
Pearson	1,300	1003	-8
P & O	1,100	889	-½
PowerGen	378	840½	-7½
Prudential	1,900	857	-60
RMC†	2,600	985	
Railtrack	5,200	998	-5
Rank Group	3,400	379	+1
Reckitt & Colman	555	1153	+23
Reed Intl.	2,000	603½	+1½
Rentokil Initial	[illegible]	339	-3½
Reuters	2,500	645	+3½
Rio Tinto	1,300	814	+5
Rolls Royce	10,800	278	+11½
Royal & Sun Alliance	3,400	805	+10
Royal Bk Scotland	2,700	970	+20
Safeway	6,600	367½	+1
Sainsbury	2,000	507	-4
Schroders	259	2415	+85
Schroders NV	88	2053	-8
Scottish & New.	708	909	+4
Scottish Power	5,100	571½	+12
Severn Trent	813	990	+17
Shell Transport	14,200	427½	+11
Siebe	1,000	1319	-9
SmKl Beecham	[illegible]	755	+12
Smiths Inds.	843	847½	-26½
Southern Elec†	1,380	540	-3
Standard Chartd.	2,800	887	+3½
Sun Life & Prov.	618	641½	+31½
TI Group†	1,100	[illegible]	+1
Tesco	4,000	589	+9
Thames Water	863	951	+16
Tomkins	3,300	374	-4½
Unilever	3,900	558	+2½
Utd. News & Media	2,300	815	+15
United Utilities	1,300	834½	+7½
Vodafone	9,700	617½	+35½
Whitbread	439	1097	+11
Williams	1,500	460	+7
Wolseley	4,800	429½	-8½
Woolwich	2,900	379	+1
Zeneca	1,300	[illegible]	-7

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 19 / Sch)

BELGIUM/LUXEMBOURG (Mar 19 / Frs.)

CZECH REP (Mar 19 / Koruna)

DENMARK (Mar 19 / Kr)

FINLAND (Mar 19 / Mka)

FRANCE (Mar 19 / Frs.)

GERMANY (Mar 19 / Dm.)

GREECE (Mar 19 / Drachma)

ITALY (Mar 19 / Lire)

NETHERLANDS (Mar 19 / Fls.)

NORWAY (Mar 19 / Kroner)

POLAND (Mar 19 / Zloty)

PORTUGAL (Mar 19 / Escudo)

SPAIN (Mar 19 / Pta.)

SWEDEN (Mar 19 / Kronor)

SWITZERLAND (Mar 19 / Frs.)

TURKEY (Mar 19 / Tk Lira)

PACIFIC

JAPAN (Mar 19 / Yen)

AUSTRALIA (Mar 19 / Aus$)

HONG KONG (Mar 19 / H.K.$)

INDONESIA (Mar 18 / Rupiah)

MALAYSIA (Mar 19 / MYR)

NEW ZEALAND (Mar 19 / NZ $)

SINGAPORE (Mar 19 / S$)

SOUTH KOREA (Mar 19 / Won)

TAIWAN (Mar 19 / TW $)

THAILAND (Mar 19 / Baht)

AFRICA

SOUTH AFRICA (Mar 19 / Rand)

AMERICAS

CANADA

TORONTO (Mar 19 / Can $) 4 pm close

MONTREAL (Mar 19 / Can $) 4 pm close

MEXICO (Mar 19 / Peso) 12.00pm

Emerging markets: IFC Investable Indices

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS. Figures in parentheses show number of lines of stock	WEDNESDAY MARCH 18 1998: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY MARCH 17 1998: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (73)	214.65	-0.6	190.40	176.69	203.77	214.73	0.2	3.62	216.02	191.84	176.43	203.70	214.23	243.87	190.26	218.43
Austria (23)	208.32	-1.3	184.79	171.48	197.76	197.61	-0.6	1.65	211.09	187.46	172.41	199.05	198.89	213.59	175.14	185.21
Belgium (26)	302.88	-1.0	268.66	249.32	287.53	281.52	-0.2	2.51	305.88	271.64	249.83	288.44	282.19	305.88	227.73	236.68
Brazil (30)	263.47	-0.2	233.71	216.88	250.12	550.01	-0.1	1.55	264.01	234.46	215.63	248.95	550.65	322.44	184.94	234.67
Canada (120)	240.81	-0.1	213.60	198.22	228.60	247.35	0.0	1.62	240.95	213.98	196.79	227.21	247.33	240.95	178.27	196.12
Denmark (34)	485.66	-0.8	430.79	399.78	461.04	459.83	-0.1	1.28	489.62	434.82	399.90	461.70	460.44	489.62	348.27	374.14
Finland (28)	367.00	-2.5	325.54	302.10	348.40	426.73	-1.8	2.11	376.27	334.15	307.32	354.81	434.71	376.27	243.25	259.14
France (79)	280.81	-1.1	249.09	231.15	266.58	269.60	-0.4	2.10	283.78	252.01	231.78	267.59	270.66	283.78	209.81	218.30
Germany (58)	261.99	-1.3	232.40	215.66	248.71	248.71	-0.6	1.28	265.44	235.73	216.80	250.30	250.30	265.44	193.39	198.79
Hong Kong, China (66)	346.62	-0.7	307.47	285.33	329.05	344.62	-0.7	4.63	349.07	309.99	285.10	329.16	347.17	580.03	262.93	493.51
Indonesia (27)	45.72	-2.7	40.56	37.64	43.40	290.30	-1.5	2.32	46.99	41.73	38.38	44.31	294.73	254.90	27.67	229.97
Ireland (16)	513.65	1.4	455.62	422.82	487.62	527.04	2.0	1.88	506.53	449.83	413.71	477.64	516.45	513.65	321.33	329.79
Italy (64)	150.01	-0.4	133.06	123.48	142.40	201.51	0.3	1.16	150.56	133.70	122.97	141.97	200.91	150.56	83.01	83.01
Japan (481)	100.02	-2.2	88.72	82.33	94.95	82.33	-1.4	0.96	102.28	90.83	83.53	96.44	83.53	141.12	88.52	114.64
Malaysia (107)	212.39	5.1	188.40	174.83	201.63	298.16	0.7	2.31	202.01	179.40	164.99	190.49	295.97	634.99	113.56	632.03
Mexico (29)	1599.16	1.8	1418.50	1316.37	1518.10	14968.62	1.1	1.51	1573.71	1397.55	1285.33	1483.96	14809.28	1901.98	1328.20	1349.36
Netherlands (19)	465.38	-1.9	412.81	383.09	441.80	437.16	-1.3	2.09	474.49	421.38	387.54	447.43	442.74	474.49	330.32	348.30
New Zealand (14)	76.79	-1.4	68.12	63.21	72.90	71.90	1.4	4.54	77.84	69.13	63.58	73.40	70.94	98.47	71.49	83.60
Norway (38)	322.10	-0.9	285.71	265.14	305.77	333.09	-0.3	1.68	325.11	288.72	265.53	306.57	334.01	374.64	281.62	307.87
Philippines (22)	100.79	2.0	89.40	82.96	95.68	196.64	1.8	1.05	98.82	87.76	80.71	93.19	193.18	197.21	57.54	197.21
Singapore (42)	232.48	2.0	206.20	191.35	220.68	172.10	1.9	1.86	227.88	202.38	186.12	214.89	168.86	402.07	144.01	395.82
South Africa (43)	290.00	-1.8	257.24	238.72	275.30	315.37	-1.6	2.79	295.20	262.16	241.10	278.36	320.48	385.52	227.66	361.15
Spain (33)	351.64	-1.0	311.91	289.46	333.82	412.98	-0.2	1.75	355.18	315.42	290.09	334.92	413.97	355.18	210.11	213.77
Sweden (49)	558.49	-0.7	495.40	459.73	530.18	657.48	-0.4	1.76	562.59	499.62	459.50	530.51	660.35	562.58	405.00	424.36
Switzerland (31)	382.08	-2.2	338.91	314.51	362.71	352.68	-1.4	1.09	390.83	347.09	319.21	368.54	357.81	394.76	250.13	255.25
Thailand (39)	31.83	-4.5	28.24	26.20	30.22	50.72	-2.4	6.15	33.31	29.59	27.21	31.41	51.98	84.87	13.10	77.68
United Kingdom (211)	385.55	1.2	341.99	317.37	366.01	341.99	1.1	2.87	380.89	338.25	311.09	359.16	338.25	385.55	271.72	277.01
USA (636)	443.55	0.5	393.44	365.12	421.07	443.55	0.5	1.43	441.38	391.97	360.50	416.21	441.38	443.55	298.79	320.41
Americas (817)	402.34	0.5	356.89	331.20	381.95	339.69	0.5	1.44	400.46	355.64	327.08	377.62	338.11	402.34	274.59	293.36
Europe (699)	337.58	-0.4	299.44	277.88	320.47	321.48	0.0	2.07	338.95	301.01	276.84	319.62	321.52	338.95	237.94	242.35
Nordic (149)	483.31	-1.0	428.71	397.85	458.81	498.94	-0.6	1.75	488.40	433.73	398.90	460.55	501.97	488.40	355.77	372.00
Pacific Basin (871)	110.94	-1.7	98.40	91.32	105.31	92.12	-1.1	1.61	112.85	100.22	92.17	106.42	93.14	158.99	95.32	134.76
Euro-Pacific (1570)	205.43	-0.8	182.22	169.11	195.02	178.39	-0.4	1.93	207.13	183.94	169.17	195.31	179.08	209.12	172.03	179.59
North America (758)	430.69	0.5	382.03	354.53	408.86	430.36	0.5	1.44	428.69	380.70	350.13	404.24	428.35	430.69	292.34	312.88
Europe Ex. UK (488)	304.02	-1.3	269.68	250.26	288.61	301.68	-0.6	1.82	308.01	273.53	251.57	290.44	303.56	308.01	213.38	218.18
Pacific Ex. Japan (390)	208.54	0.0	184.98	171.66	197.97	207.33	0.1	3.76	208.47	185.13	170.27	196.58	207.22	318.98	161.31	303.10
World Ex. US (1792)	209.39	-0.8	185.73	172.36	198.78	185.60	-0.3	1.91	211.00	187.38	172.33	198.96	186.23	212.89	175.30	183.36
World Ex. UK (2219)	275.36	-0.3	244.25	226.67	261.40	251.89	0.0	1.52	276.15	245.24	225.55	260.41	251.89	276.15	211.16	222.26
World Ex. Japan (1949)	376.72	0.1	334.16	310.11	357.63	370.85	0.3	1.75	376.21	334.10	307.27	354.75	380.83	376.72	271.90	284.32
The World Index (2430)	284.66	-0.1	252.50	234.32	270.23	260.01	0.1	1.68	285.01	253.11	232.79	268.76	259.79	285.01	216.61	226.95

NEW YORK STOCK EXCHANGE PRICES

4 pm close March 19

- A -

1997/98 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chge Prev. Close
32 9/16	16 3/4	AAR x	0.32	1.2	32	451	28 1/4	27 7/8	27 7/8	-1/2
56 11/16	33 1/8	AMP	1.06	2.6	20	3329	42 1/16	41 11/16	41 7/8	-1/2
147 1/16	78 1/4	AMR			11	4290	142 1/2	140 1/4	142 3/8	+1/8
37 7/8	19	ASA	0.80	4.0	13	185	20 1/4	19 3/4	20 1/8	-1/8
78 7/8	49 1/2	Abbott L	1.20	1.6	29	7364	77 1/4	76 1/2	77 1/16	+1/4
20 1/2	11 1/2	Abitibi	0.40	2.6	7	330	15 3/4	15 1/8	15 5/8	
37	17 7/8	ABM Ind	0.48	1.4	26	203	36 1/8	35 1/4	35 1/2	-1/16
28 5/8	17 1/4	Acceptcom			11	89	24 7/8	24 1/8	24 1/8	-1/8
35 11/16	18 11/16	ACE Ltd	0.32	0.9	13	1403	u35 1/2	35 1/8	35 3/8	+1/8
11 1/2	10	ACM Gvt In x	0.90	7.9	12	377	11 1/16	11 1/8	11 1/16	+1/16
8 1/16	7	ACM GvOpp x	0.63	7.8		139	8 1/4	8 1/8	8 1/8	+1/16
10 3/8	8 1/4	ACM Man x	0.90	9.0		204	10 1/8	10	10	-1/8
10 1/8	4 5/8	Acme Elect				57	5 1/4	5 1/8	5 1/8	-1/16
20	8 1/2	Acme Utd				396	9 1/2	9 1/4	9 1/2	+1/8
26 1/2	14	ACNielsen			46	302	u26 1/4	25 1/16	25 3/4	-1/4
29 7/8	15 1/16	Acuson			47	798	19 1/2	19 1/4	19 1/4	-1/4
27	19 1/2	Adams Expr	0.55	2.1	1	95	26 1/2	26 1/8	26 1/2	+1/16
48 1/2	17 1/4	AdvMic				28121	23 1/4	22 1/2	23 1/16	+1 1/2
27 1/2	10 1/2	Advest Grp	0.12	0.5	16	211	25 1/2	25 1/16	25 1/4	-1/4
25 1/4	11 3/4	Advo Inc			20	440	24 1/2	24	24 1/4	-1/8
126 1/2	61 1/8	Aegon	1.31	1.1	33	498	121 1/2	119 1/2	120 1/2	-3/8
17 3/4	3 1/8	Aerflx				27051	d14 1/2	13 1/4	14 1/4	-1/2
99 1/4	33	Aero-F	0.82	1.5	15	414	57	56 1/4	56 1/2	+1/4
50 1/8	24	AES Corp			44	1417	u50 1/2	49 1/2	50	
118 1/2	66 1/2	Aetna	0.80	0.9	15	3025	85 3/4	84 1/4	85 1/4	+1/2
37 1/2	19 1/2	AffCom			34	1209	33	32 1/2	32 7/8	+1/4
66	37 1/2	Aflac	0.46	0.7	15	1161	u67 1/2	65 3/8	66 1/4	+1/2
35 1/2	19 1/4	AGCO	0.04	0.1	10	3094	29 1/2	29 1/16	29 1/4	
21 1/2	17 1/4	AGL Res	1.08	5.2	16	544	21	20 3/4	20 7/8	+1/16
80	32	Ahmson	0.88	1.1	20	7418	79 1/4	78	78 3/4	+1/2
89 5/8	66 1/2	AirP&C	1.20	1.4	18	2777	83 1/2	82 3/4	83 1/4	
42 5/8	11 1/8	Airbrne Frt	0.15	0.4	18	3504	42 1/16	40 3/4	41	+1/4
24 1/2	13 1/2	Airgas			34	1054	17 1/2	16 7/8	17 1/8	-1/4
17 7/8	8 1/16	Airlease	1.64	11.5	12	55	14 3/8	14 1/4	14 3/8	+1/4
[illegible]										

[illegible: the remainder of the - A - section and the - B -, - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -, - S -, - T -, - U -, - V - and - W - sections]

1997/98 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chge Prev. Close
43 7/8	28 1/2	Whitman	0.64	1.7	57	1293	38 1/2	37 3/4	38 1/4	+1/2
34 7/8	18 1/4	Willams x	0.60	1.9	30	13989	32 1/2	31 3/8	32 1/8	-1/8
7 1/8	5 1/8	Wilshire			10	30	5 1/4	5 1/4	5 1/4	
29 7/8	12	WindmDor			27	880	29	26 3/4	27	-1
59 1/4	28 7/8	WinnDx x	1.02	1.7	41	1032	u59 1/2	58 1/4	59 1/2	+1/4
13	6 1/4	Winnebago	0.20	1.6	34	800	12 3/4	12 1/4	12 1/2	+1/8
28 1/4	23	WiscEn	1.54	5.4	32	842	28 1/4	28 1/16	28 1/8	+1/16
22 7/8	11 1/4	WiserO	0.12	0.9	34	42	13	12 3/4	12 15/16	
47 7/8	29 1/2	Witco x	1.12	2.8	25	576	39 3/16	38 1/2	39 1/2	-1/2
26 1/4	11 1/16	WMC ADR	0.39	2.9	16	34	13 1/4	13 1/2	13 5/8	-1/8
31 1/2	18 11/16	Wolverine	0.11	0.4	29	502	29 1/4	28 5/8	28 3/4	-1 1/16
28 3/4	18 1/4	Woolwth			20	3342	26 1/2	25 15/16	26	-1/2
4 1/2	3/4	Worldcorp				17	1 3/8	1 1/4	1 3/8	
34 1/4	23 3/8	WPS Rs x	1.94	5.8	14	383	33 1/4	32 15/16	33 1/8	+1/8
82 7/8	54 5/8	Wrigley	0.80	1.0	34	524	82 1/2	81	81 7/16	-1 1/8
26 9/16	12 7/8	Wyman Int x	0.24	1.0	18	182	24 7/8	24 3/4	24 1/2	+1/8

- X - Y - Z -

1997/98 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chge Prev. Close
98	61 1/2	Xerox x	1.44	1.5	22	6947	97 3/8	95 5/8	96 1/2	-3/4
66 1/4	40 1/2	Xtra Corp	0.88	1.4	20	81	65 3/16	64 5/8	64 13/16	-3/8
27 1/16	20 1/4	Yankee Egy x	1.34	5.4	15	53	24 3/4	24 5/8	24 3/4	
50	34 1/8	York Int x	0.48	1.1	40	243	44 1/2	44 1/8	44 3/8	
19	4	Zapata	0.35	2.1	33	823	u13 1/4	12 3/4	13 1/8	+1/4
13 1/4	5 1/8	Zenith				2251	7 1/8	7 1/4	7 1/2	+1/8
28 1/4	24 1/2	Zenith Nat	1.00	3.6	17	55	28	27 3/4	28	+1/4
8 3/8	7 1/8	Zenix Inc	0.73	9.1		60	8 1/8	8	8 1/16	
32 1/16	17 1/4	Zero	0.12	0.4	16	65	27 11/16	27 5/8	27 7/16	
14	10 1/2	ZweigFd	1.32	9.6		252	13 3/8	13 3/4	13 13/16	+1/8
8 1/4	8	Zweig Totl x	0.84	9.8		345	9 1/8	8 1/2	8 3/16	+1/16

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. § Dealings suspended.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 18	Mar 17	Mar 16	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Industrials	8775.40	8749.99	8718.85	8775.40 (18/3/98)	6391.69 (11/4/97)	8775.40 (18/3/98)	41.22 (8/7/32)
Home Bonds	105.10	104.97	105.24	105.48 (15/1/98)	101.09 (14/4/97)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3603.81	3636.81	3623.57	3636.81 (17/3/98)	2222.07 (2/1/97)	3636.81 (17/3/98)	13.23 (8/7/32)
Utilities	281.24	278.68	276.71	281.24 (18/3/98)	209.47 (25/4/97)	281.24 (18/3/98)	16.53 (8/7/32)

DJ Ind. Day's High 8825.72 (8812.52) Low 8695.65 (8638.41) (Theoretical§) Day's High 8780.13 (8749.98) Low 8705.89 (8683.98) (Actual§)

Standard and Poors	Mar 18	Mar 17	Mar 16	1997/98 High	1997/98 Low	Since compilation High	Since compilation Low
Composite‡	1085.52	1080.45	1079.27	1085.81 (18/3/98)	737.01 (2/1/97)	1085.81 (18/3/98)	4.40 (1/6/32)
Industrials¶	1258.53	1250.76	1252.36	1258.53 (18/3/98)	865.42 (11/4/97)	1258.53 (18/3/98)	3.52 (30/6/32)
Financial¶	134.11	133.48	132.13	134.11 (18/3/98)	80.75 (2/1/97)	134.11 (18/3/98)	7.13 (4/8/74)
Others							
NYSE Comp.	585.82	583.09	581.94	585.82 (18/3/98)	398.47 (11/4/97)	585.82 (18/3/98)	4.84 (25/4/42)
Amex Comp.	722.76	718.16	718.14	722.76 (18/3/98)	541.20 (28/4/97)	722.76 (18/3/98)	524.20 (18/7/88)
NASDAQ Comp	1788.28	1779.30	1788.18	1788.28 (18/3/98)	1201.00 (2/4/97)	1788.28 (18/3/98)	54.87 (3/10/74)
Russell 2000	472.18	471.11	471.76	472.18 (18/3/98)	335.85 (25/4/97)	472.18 (18/3/98)	123.38 (7/12/83)

RATIOS

	Mar 13	Mar 6	Feb 27	Year ago
Dow Jones Ind. Div. Yield	1.83	1.83	1.83	1.95
	Mar 18	Mar 11	Mar 4	Year ago
S & P Ind. Div. yield	1.35	1.38	1.39	1.78
S & P Ind. P/E ratio	29.80	29.26	28.76	22.38

US DATA

TRADING ACTIVITY

[illegible]

NYSE TRADING ACTIVITY

ACTIVE STOCKS

[illegible]

BIGGEST MOVERS

[illegible]

NASDAQ TRADING ACTIVITY

ACTIVE STOCKS

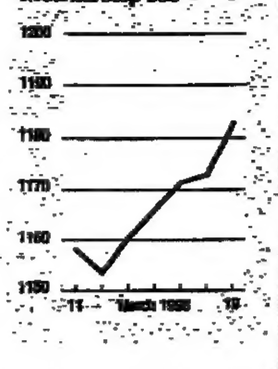
Wednesday	Stocks traded	Close price	Day's change
Worldcom	21,387,200	42¾	+¼
Dell Comptr	10,742,100	83⅝	+1⅛
Oracle	9,952,300	28⅝	+3⅝
Wash Mutual	9,557,100	72⅛	-½
Appld Mtl	9,266,100	33⅝	-⅛
Ascend Cm	8,521,600	32¼	-¾
Jabil Ct	8,342,100	34⅝	-4⅝
Microsoft	7,959,600	81⅛	+1⅛
MCI Comm	8,036,900	40⅝	+⅛
Dollar Tree	5,887,800	40⅛	+⅜

BIGGEST MOVERS

[illegible]

Dow Jones

FTSE Eurotop 300



JAPAN

[illegible]

TOKYO TRADING ACTIVITY

[illegible]

GERMANY

[illegible]

FRANKFURT TRADING ACTIVITY

[illegible]

FRANCE

[illegible]

PARIS TRADING ACTIVITY

[illegible]

UK

[illegible]

LONDON TRADING ACTIVITY

[illegible]

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1086.50	1087.50	+1.70	1088.00	1085.30	50,848	114,259
Jun	1087.00	1099.10	+1.40	1100.20	1096.60	127,786	323,977
Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	16590.0	16690.0	+140.0	16730.0	16490.0	15,930	190,836
Sep	1.6500.0	16600.0	-260.0	16620.0	16500.0	1	12,686

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	3655.0	3703.0	+61.0	3704.0	3652.0	18,455	49,387
Apr	3657.5	3704.5	+41.5	3705.0	3657.0	979	3,120
DAX							
Mar	4931.0	4942.0	+27.0	4955.5	4922.5	42,283	77,178
Jun	4970.0	4982.0	+29.5	4992.0	4992.0	25,425	101,236

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2930.00	2899.00	-7.00	2935.75	2896.00	5,752	22,799
Apr	2925.00	2890.00	-7.00	2926.00	2887.00	2,831	12,801
SOFFEX							
Mar	7146.0	7153.0	+20.0	7173.0	7123.0	8,899	8,809
Apr	7165.0	7164.0	+8.00	7190.0	7143.0	5,875	18,748

WORLD MARKETS AT A GLANCE

Country	Index	Mar 19	Mar 18	Mar 17	1997/98 High	1997/98 Low	Yield	P/E
Argentina	General	22888.36	22942.78	22622.79	28771.70 22/10/97	18207.40 2/1/97	2.9	19.5

[illegible]

THE NASDAQ STOCK MARKET

4 pm close March 19

[illegible]

AMEX PRICES

4 pm close March 19

[illegible]

EASDAQ

[illegible]

STOCK MARKETS

Derivatives cloud hangs over records

WORLD OVERVIEW

Most European markets locked on to fresh records yesterday, but for the second session running the broad undertone was dogged by a degree of hesitancy, *writes Jeffrey Brown.*

To some extent the European picture was clouded by derivatives activity with futures contracts expiring in Frankfurt, Zurich, and Milan and options running out in Amsterdam where the session was described by traders as hectic.

But there was no help from Wall Street where the mood in early trading was dour in spite of fairly neutral economic data.

The US consumer price index for February did nothing to unduly disturb brokers' calm about inflationary pressures.

But it was all a far cry from the broad optimism that characterised trading in the Far East where a number of markets pushed strongly higher on improving currency and money market backgrounds.

An official downward nudge for interest rates was the talk in both Hong Kong and Singapore where a half-point cut for base rates by one leading bank was seen as a potential trigger for more widespread reductions.

Europe's earnings story continued apace in spite of a jolt from France Telecom. Dutch financial leader Aegon, French defence group Alcatel Alsthom and German quality car maker BMW all turned in top-of-the-range results.

At France Telecom, the disappointing 1997 numbers were matched by an equally unexciting trading statement. The shares, a strong market ahead of the figures, stumbled badly and were estimated to have cost the CAC 40 index 30 points.

The latest salvo in the war of words between the bulls and the bears comes from NatWest Markets which concludes from a study of European stock market volumes in February that the bull market has further to run.

Domestic volumes rose 5.6 per cent last month, down from 23 per cent in January when new time buying inflated the trendline, but volumes declared through the SEAQ trading system in London grew by almost 16 per cent.

According to James Cornish, NatWest strategist, this suggests that international investors were the stronger influence and that as a result the "bull market is not yet near its peak".

In Germany, SEAQ volume rose 59 per cent last month, against domestic gains of 14 per cent. It accounted for 20 per cent of German activity and 30 per cent of the Paris market.

London market, Page 38
Currencies, Page 31

Dow treads water as data checks buyers

AMERICAS

Wall Street made a dull start to the day as bond prices fell on the latest release of consumer prices data, *writes John Labate in New York.*

"The market is moving sideways, but some of the broader indices are moving ahead," said Michael Driscoll, senior block trader at Hambrecht & Quist.

In spite of the latest financial disappointments, this time from Nike and Sunbeam, expectations of sideline money coming into the market remained high.

"A lot of money managers are seriously underperforming the benchmarks and they'll continue scrambling, so money will continue piling in," said Mr Driscoll.

By early afternoon the Dow Jones Industrial Average was 4.24 lower at 8,771.16, while the broader Standard & Poor's 500 index was up by less than one point to 1,085.58.

Technology stocks and small company shares did better than larger ones, as the Nasdaq composite index gained 6.06 to 1,794.34. The Russell 2000 index of small-cap shares climbed 1.33 to 473.51.

Late on Wednesday, Nike revealed a sharp drop in profits and yesterday its shares fell \$1¾ to \$44$\frac{1}{16}$.

Sunbeam, the consumer electronics producer, plunged more than 7 per cent or \$3¾ to \$46$\frac{1}{16}$ after warning about lower-than-expected revenues in the coming quarter.

Treasury prices fell after the release of higher-than-expected figures on the core consumer price index. By midday the benchmark 30-year bond had lost $\frac{11}{32}$ to 102$\frac{11}{32}$, yielding 5.931 per cent.

Banking shares were mixed, with Chase Manhattan down \$2¼ to \$135⅞ the day after market rumours that the company may take-over Merrill Lynch.

Merrill Lynch's stock pulled back as well, off \$$\frac{11}{16}$ to \$83$\frac{11}{16}$ after rising sharply on Wednesday.

Among Dow stocks Philip Morris lost \$1$\frac{1}{16}$ to \$41¼ on uncertainties surrounding tobacco legislation. Wal-Mart was down \$⅝ to \$50¼.

Computer shares were mostly up, with the Pacific Stock Exchange's tech index up 1.68 to 341.08.

Semiconductor producer Advanced Micro Devices climbed more than 6 per cent to \$23$\frac{11}{16}$. Bay Networks also rebounded from a weak session on Thursday, up \$1 to \$27½.

TORONTO moved modestly lower, mirroring the fairly directionless early trading on Wall Street.

At noon, the 300 composite index was off 7.86 at 7,418.90.

A dull banking sector set the early tone. Royal Bank of Canada shed 40 cents to C\$86.40 and Bank of Montreal came off 25 cents at C\$80.25.

São Paulo takes profits

SAO PAULO ran into modest profit-taking which showed early signs of reversing an 11-day winning streak.

"The market is up 12.5 per cent this month so it is no suprise that some investors are pocketing some of their winnings," said one broker.

Telebrás came off 1 per cent to R\$150.30 and Petrobrás lost 0.9 per cent to R\$273.

At midsession, the Bovespa index was 82 lower at 11,812.

MEXICO CITY continued to respond to the better news from world oil markets. Worries about government revenue shortfalls have acted as a heavy brake on share prices in recent sessions, but the market bounced on Wednesday, and at midsession yesterday the IPC index was a further 6.33 higher at 4,880.74.

Battered golds recoup losses

SOUTH AFRICA

Johannesburg turned higher as the more stable bullion price enabled battered gold stocks to recoup some of Wednesday's losses. The overall index climbed 34.4 to 7,244.5 as golds recouped 14 to 686 after Wednesday's 5.2 per cent slump.

Industrials added 18.7 to 8,566.9 and financials climbed 40.1 to 13,357.

Oil price rebound lifts Paris

EUROPE

Shares in **PARIS** renewed their upward thrust, gaining 36.16 to a record 3,688.68 on the CAC 40 index in spite of selling at France Telecom, which tumbled 8.6 per cent.

Unexciting results plus a downbeat forecast for the current year sent France Telecom down FFr30.60 to FFr324 in massive FFr.9bn turnover. The shakeout by the index heavyweight was said by brokers to have been a severe drag on the market's upward progress.

Oils rebounded with Total rising FFr29 to FFr672 and Elf Aquitaine FFr43 to FFr724 as the oil price continued to rally.

Alcatel Alsthom bounced FFr65 to FFr1,009 on good results plus news that the flotation of the defence group's joint venture with General Electric of the UK is planned for June.

Castorama surged FFr48 to FFr1,060 on renewed takeover talk ahead of today's results press conference. In recent months the DIY specialist's name has been linked with Kingfisher of the UK, which yesterday reported strong earnings.

FRANKFURT edged back into record territory, although trade was thin ahead of today's triple witching. The Xetra Dax index climbed 41 to 4,949.91, finding support from BMW, which rose strongly following better-than-expected results.

The carmaker surged DM126 higher at DM2,026.50 after it announced a net profit of DM1.2bn, up from DM820m a year earlier, and a higher dividend.

Daimler-Benz was flat at DM165.90 while VW was marked DM38 higher at DM1,340. Chemicals group Schering eased DM2 to DM210 as fairly bland 1997 results were in line with expectations.

Henkel, the speciality chemicals company, picked up DM4.35 to DM127.35 driven by improved 1997 results and an upbeat outlook for the current year.

A DM11 rise in Mannesmann to DM1,300 was attributed to news that its telephone businesses planned price cuts.

ZURICH staged a modest rebound, after three days in retreat, but the market was pulled sharply back from its best levels as Roche and Novartis came under renewed selling pressure.

The SMI index turned back from a high of 7,176.7 to close 11.4 higher on the day at 7,143.8. Novartis lost SFr21 to SFr2,586 as Goldman Sachs reduced its earnings estimates from 1998 onwards by about 3 per cent.

Roche certificates eased SFr40 to SFr16,430, with investors still said to be unsettled about pending US approval for its anti-obesity drug Xenical.

Against the trend, Nestlé was a clear outperformer with a jump of SFr33 to SFr2,638 as some investors switched out of the pharmaceuticals sector.

ABB climbed SFr22 to SFr2,175 and Alusuisse gained SFr23 to SFr1,786 with Martin Ebner's BZ Bank thought to be a buyer of the stocks.

Sulzer fell SFr14 to SFr1,180 following Wednesday's gains after releasing 1997 results that were above expectations.

Vontobel gained SFr40 to SFr1,770 after the private banking and asset management house reported a 76 per cent rise in 1997 group net profit.

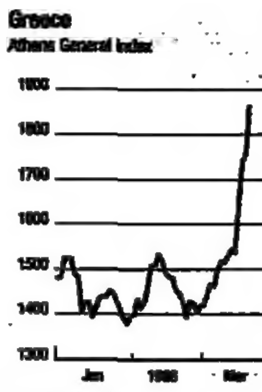
ATHENS stepped back on the accelerator after early selling pressure was absorbed and as demand spread from the blue-chip industrials and banks to most other sectors.

The Athens general index jumped 106.80 or 6.1 per cent to a record 1,861.73. This extended to 21 per cent the market's rise since last weekend's drachma devaluation and ERM entry.

Banks advanced 7.7 per cent and industrials followed close behind, up 6.8 per cent.

AMSTERDAM was out of step with the European trend, slipping lower on weak financials and derivatives pressure as March options expired. The AEX index ended ended off 3.76 at 1,101.69.

Greece
Athens General Index



Source: Datastream/ICV

Aegon tumbled Fl 5.70 to Fl 247.10 in spite of strong results, an upbeat statement and a raft of broker buy notes. JP Morgan set a 12-month target price of Fl 282 for the shares.

Dealers said it was straightforward profit-taking after what had been a significant pre-results rally.

Up Fl 2.70 at Fl 113, Royal Dutch continued to track the firming oil price while Nedlloyd, a woeful underperfomer for most of this year, continued to rally, adding Fl 1.10 to Fl 52.20.

MILAN closed marginally higher in spite of losing ground in earlier trading ahead of today's future and options expiry. The Mibtel index rose 88 to 22,337 helped by ENI, the semi-privatised oil and gas group.

ENI rose L282, or 2.4 per cent, to L11,946 after reporting a 14.6 per cent rise in group net profits to L5,100bn for 1997. Olivetti closed up L66 to L7,216.

HELSINKI finished at a fresh record, lifted by strength in Nokia and insurance companies.

The Hex index gained 82.9 or 1.9 per cent to 4,378.14 in spite of a fall in forestry shares.

Nokia rose FM23.5 to FM600 following product announcements. Insurers were higher in heavy activity thanks to expectations of restructuring. Sampo rose FM6 to FM221.

A recovery in oil stocks helped **OSLO**, with the Total share index up 7.53 to 1,339.87. Shares were higher in spite of a 0.25 percentage point hike in both the overnight lending rate and the deposit rate by the central bank. Norsk Hydro rose NKr6 to NKr373.5.

Written and edited by Michael Morgan, Jeffrey Brown, Emiko Terazono, Peter Hall and Paul Gregan

FTSE Actuaries Share Indices — European series

March 19

National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1182.51	+0.84	+9.79	1.85	3.72	1195.63
FTSE Eurotop 100	2722.47	+0.98	+26.43	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1189.79	+1.25	+14.68	2.80	8.79	1219.27
300 Ex-UK	1179.06	+0.60	+7.02	1.47	0.84	1182.96
300 Eurobloc	1166.09	+0.91	+10.50	1.64	1.19	1171.81
300 Ex-Eurobloc	1197.11	+0.78	+9.31	2.17	5.56	1215.80
FTSE Eurotop 300 Economic Groups						
Resources	998.37	+3.32	+31.80	2.78	3.62	1007.04
General Industries	1109.94	+1.18	+12.98	1.77	2.45	1115.25
Consumer Goods	1155.42	+0.16	+1.87	1.56	2.91	1170.87
Services	1148.57	+0.39	+4.43	2.05	2.88	1160.73
Utilities	1288.81	+0.95	+12.09	2.25	1.84	1306.37
Financials	1308.37	+0.48	+6.20	1.90	8.25	1323.42

More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1998. All rights reserved. Market Closed: Spain.

Singapore surges on rate cut

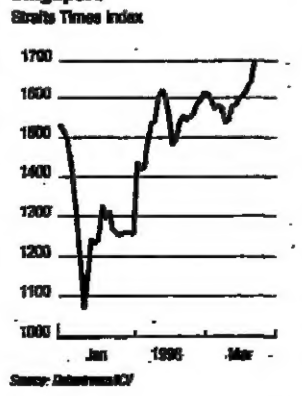
ASIA PACIFIC

Overnight news that DBS Bank was to cut its prime rate by half a percentage point to 7 per cent sent **SINGAPORE** sharply higher.

The Straits Times Industrial index jumped 53.45 or 3.3 per cent to a high for the year of 1,698.75 on expectations that other banks would soon follow suit.

The rate cut reversed a series of rises which began in late November and peaked in mid-January. Wednesday's reduction sparked a rally in the property sector which rocketed almost 10 per cent. Banks also rallied with the sector rising 4.5 per cent.

Singapore
Straits Times Index



Source: Datastream/ICV

TOKYO was becalmed, with investors unwilling to buy, but fearful of selling in case next week's economic package proved more comprehensive than expected, *writes Paul Abrahams in Tokyo.*

The Nikkei 225 index rose just 59.34 to 16,679.02 after trading in a narrow range between 16,768 and 16,559. Volumes were lacklustre, with just 381m shares traded. The Topix index of all first section shares was equally static, closing down 3.52 at 1,249.57, with 563 stocks down, 525 up and 184 unchanged. The Nikkei 300 lost 0.90, closing at 245.72.

Although the banking sector as a whole was down just 1.1 per cent, a number of banks were among the biggest percentage fallers of the day. Sakura fell more than 7 per cent to Y510 and was the second most heavily traded stock. Tokai fell 5.4 per cent to Y908, and Yasuda Trust 5.3 per cent to Y232.

Fuji Bank, which is in the same business grouping as Yasuda Trust, fell 3.5 per cent to Y984. Another trust bank, Mitsui Trust, was down nearly 3 per cent at Y403.

Steel stocks were heavily traded, with the sector down 1 per cent. Nippon Steel fell Y2 to Y235, the most heavily traded stock of the day, while Kawasaki Steel dropped Y6 to Y203.

The broking sector was down 1.7 per cent. Daiwa Securities, one of the big three, fell Y32 at Y618. Seven second-tier brokers issued profits warnings, but after trading had closed. In Osaka, the OSE index fell 15 to 16,675.

HONG KONG put in a late spurt to close sharply higher on comments by Zhu Rongji, China's new premier, that Beijing would defend the Hong Kong currency's link to the US dollar at any cost.

The Hang Seng index rose 323.39 or 2.9 per cent to 11,445.04, also supported by the rumour mill which suggested that a foreign investor was accumulating long positions. Turnover picked up to HK\$9bn from Wednesday's HK\$6.7bn.

Speculation that a cut in prime rates may be near helped the rally as investors eyed developments in Singapore. HSBC Holdings accounted for 90.88 of the index gain as it climbed HK\$7 to HK\$230.

Cheung Kong Infrastructure gained 80 cents to HK\$23.90 after it reported a 172 per cent jump in 1997 net profit. China plays outperformed, inspired by Premier Zhu's comments. The China-Affiliated Corporations index surged 5.9 per cent and H shares ended 3.5 per cent higher.

TAIPEI moved lower for the third day running. Electronics showed some resilience but weak financials continued to weigh heavily on sentiment. The weighted index ended 93.25 or 1 per cent lower at 8,859.41. The financial sector shed 1.7 per cent. Electronics were 0.05 per cent lower.

KUALA LUMPUR jumped 3.5 per cent thanks to a rebound in conglomerate Sime Darby and bank shares. The composite index rose 24.49 to 731.04 helped by overseas investors. Sentiment improved ahead of next week's government economic package, which is expected to include cuts in government spending and liberalisation measures.

MARKET FOCUS

Shopping for retail winners

Retail sales in Europe are growing at their fastest for nine years and brokers are increasingly tipping the sector as a means of plugging into economic recovery.

But the performance of retail shares since November has been fairly dismal, with the broad sector index, excluding food retailers, lagging the overall market by a significant margin.

So have the stock markets got it right, or are retail shares presenting investors with a value opportunity? Most brokers say it is a matter of horses for courses.

According to OECD figures, European retail sales are back to 1989 levels, growing at around 5 per cent on a 12-month basis. But the underlying trend masks remarkably patchy performances in some countries.

The UK had a bumper January – up 6 per cent – and recent growth in the Netherlands, Spain and France has been good. But Germany and Belgium have been described as a "nightmare".

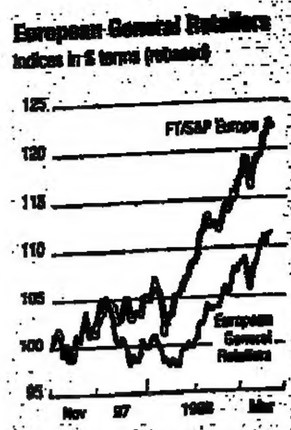
Despite a recent downbeat assessment of 1998 demand by leading stores group Pinault-Printemps, anecdotal evidence in France suggests a strong start to the year.

Moreover, most French forecast models are beginning to build in a World Cup factor. Some brokers expect the tourist influx during the tournament to add a top slice to overall volumes.

The contrast with Germany is stark. A combination of high taxes and unemployment sent retail sales down 4 per cent over Christmas, while shares in leading stores group Metro are 15 per cent short of their August peaks.

However, some brokers are beginning to pinpoint good value in Germany. Consumer spending could well pick up this year, and if September's election sees a new government, consumer tax reform and longer opening hours may be in prospect.

European General Retailers
Indices in £ terms (rebased)



Source: Datastream/ICV

Spain, France and the Netherlands are all recovering and there is even a whisper of "green shoots" in Belgium, a market as dire as Germany in recent years. But apart from the UK and France, where food retailers have been strong, the industry has a stodgy stock market image.

The problem, essentially, is the perceived difficulty in picking outright winners in a highly competitive arena. Technology change, corporate restructuring and the increasing presence of global players demands greater management initiative.

In the UK, far and away Europe's most mature retail market, there is a vast disparity between sector winners and losers. To a degree, this trend is mirrored across Europe.

Spain, for example, is dominated by hypermarkets that have begun to show signs of losing out to more focused supermarkets. Sector leader Pryca has lagged the overall market by more than 12 per cent over the past three months.

In contrast, Dutch foods retailer Ahold is seen as something of a currency play with 80 per cent of earnings arising outside the Netherlands. Its shares have outperformed strongly this year.

Jeffrey Brown